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Japan Puts Its Diplomatic Good Will Into Writing
Prime Minister Yasuhiro Nakasone of Japan, left, and the Chinese Communist Party chief, Hu Yaobang, right, put their thoughts on paper in a ceremony marking the construction of a new Japan-China Youth Exchange Center in Beijing. Mr. Nakasone also offered to act as an intermediary between China and South Korea to promote improved relations. Page 6.

Chirac, Kohl See Syria Curbs

Iran Affair Puts U.S. On Defensive

By Bernard Gwertzman
New York Times Service
WASHINGTON — Reports about Washington's secret involvement in arms shipments to Iran have caused serious credibility problems for the United States around the world, according to administration officials.
The affair has also put deep strains on Secretary of State George P. Shultz's relations with the White House because, administration officials say, the State Department had opposed the covert mission and had been deliberately denied information about it.
Tensions within the administration were running high Saturday, and aides to Mr. Shultz said the affair could lead to his resignation. The aides also confirmed that he had been told not to discuss the Iran operation publicly.
Administration officials said Friday that contacts with Iran had been approved by President Ronald Reagan and were intended to end Tehran's support for terrorism and to win release of American hostages held in Lebanon by a group believed to have ties to Iran. The original decision did not cover arms sales to Iran but these were agreed to later, using Israeli middlemen to help win the release of three hostages.
"The Arabs and everyone else are demanding to know what our policy is on dealing with terrorists and on sending arms to Iran, and we haven't been able to tell them anything since all this hit the fan," a top State Department official said. "We've been so holler-than-thou on not giving in to terrorists and on not giving Iran's war effort that we're going to have a tough time for a while explaining what happened."
Mr. Shultz finds his standing particularly undercut, State Department officials said, because he had assured a meeting of Arab foreign ministers on Oct. 1 that the United States was doing everything it could to halt the shipment of arms to Iran.
"If the secretary is going to resign over something, this would be it," one aide said. "There is no issue he cares about more than counterterrorism, and the disclosures would seem to make a mockery of everything Shultz stands for."
But he said he did not know what Mr. Shultz intended to do.
Mr. Shultz has made cryptic comments in recent days about the



Prime Minister Jacques Chirac of France, left, talked with the interior minister, Charles Pasqua, on Saturday at the central committee meeting of the Rally for the Republic.

White House Bypassed CIA in Deal With Iran

By Walter Pincus
Washington Post Service
WASHINGTON — In setting up a secret program linking release of American hostages in Lebanon to clandestine arms shipments to Iran, White House officials in early 1985 bypassed the Central Intelligence Agency to avoid the mandatory disclosure of such covert operations to Congress, according to sources.
After State Department and Pentagon officials objected earlier this year to continuing the program, President Ronald Reagan ordered even tighter secrecy by virtually excluding those two departments from information about the White House-run operation, sources said.
At a White House meeting in January, Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger told Mr. Reagan that they opposed the covert program, sources said. The program already had led to the release, in September 1985, of the Reverend Benjamin Weir.
Mr. Shultz and Mr. Weinberger said the program contradicted the administration's policy of not negotiating with terrorists and of isolating Iran as a supporter of terrorism, sources said.
The two officials also contended that the Iranians could not be trusted to keep such a potentially explosive operation secret.
Support for the program came

EC Expected To Back U.K. On Sanctions

The Associated Press
OGGERSHEIM, West Germany — Chancellor Helmut Kohl of West Germany and Prime Minister Jacques Chirac of France said Sunday after meeting here that they expected the European Community would agree Monday on sanctions against Syria for that nation's alleged role in terrorism.
The EC foreign ministers will meet in London on Monday to decide on measures against Syria that have been urged by Britain, which broke diplomatic relations with Syria on Oct. 24.
Britain's action followed the trial in London of a Jordanian, Nezar Hindawi, who was sentenced to 45 years in prison after he was convicted of trying to plant a bomb on an Israeli airliner in April with alleged Syrian complicity.
Mr. Kohl and Mr. Chirac spoke after a 90-minute meeting in the chancellor's home in Oggersheim, about 60 miles (100 kilometers) south of Frankfurt.
Mr. Chirac refused to comment on a U.S. newspaper report quoting him as saying the Israeli intelligence service apparently planned the bomb plot in London and planted evidence to link the conspiracy to Syria.
The Washington Times last week quoted Mr. Chirac as saying that Mr. Kohl and the West German foreign minister, Hans-Dietrich Genscher, had told him of the alleged Israeli role.
The French and West German governments denied the report. Israeli officials said it was "ridiculous."
Mr. Chirac said earlier he had told the Washington Times interviewer he had not been in a position to judge the British evidence on Syria presented at EC foreign ministers' meeting on Oct. 28. But he said the newspaper had given his remarks on the matter "an interpretation without foundation."
France is known to be hesitant about the tough sanctions against Syria advocated by Britain. French officials reportedly are reluctant to isolate a country that they believe must be included in any Middle East peace settlement.
Syria also is the major power broker in Lebanon, where several Frenchmen are missing and believed in the hands of Moslem extremists.
Mr. Kohl and Mr. Chirac, both conservatives, said they believed

LATE NEWS

At Least 32 Die At India Shrine

NEW DELHI (AP) — At least 32 persons were trampled to death Sunday when thousands of religious worshippers stampeded at a shrine to Rama, the principal Hindu deity, in the town of Ayodhya in northern Uttar Pradesh state, the United News of India reported. Ayodhya is said to be the god's birth place.
The news agency quoted witnesses as saying that the stampede began as devotees tried to walk along a promenade crowded with buses and vehicles. When some pilgrims began pushing, they stumbled and broke through a barrier. Many fell into a ditch.

2 Whaling Ships Sunk

REYKJAVIK (UPI) — Two of Iceland's four whaling ships were sunk Sunday in Reykjavik harbor by someone who removed their hull hatches. Icelandic state radio reported that Sea Shepherd, a breakaway group from the environmentalist organization Greenpeace, claimed responsibility. No one was believed to have been aboard.

SPECIAL TODAY

It has only been two weeks since Big Bang reverberated through the London Stock Exchange, yet change is apparent everywhere.
Personal Investing, Pages 7-11.



Richard Darman, deputy Treasury secretary, said U.S. business management is "bloated and inefficient." Page 13.

GENERAL NEWS

India put several leaders of the Tamil rebellion in Sri Lanka under house arrest. Page 2.
A U.S. report contends the Supreme Court has undermined state sovereignty. Page 3.
After a delay of weeks, the United States has begun implementing trade sanctions against South Africa. Page 2.
On U.S. college campuses, the liberal arts are staging a comeback. Page 6.

BUSINESS/FINANCE

Wickes Cos. will pay \$1.16 billion cash to acquire Collins & Aikman Corp. Page 13.
Talks collapsed on new repayment terms for \$3.6 billion in Philippine debt to commercial banks. Page 13.
SPORTS
Arizona State gained a Rose Bowl berth for the first time by crushing California. Stanford upset UCLA. Page 19.

Aquino Warns She Will Call People To Streets To Prevent Coup Attempt

By Keith Richburg
Washington Post Service
MANILA — On the eve of a scheduled four-day trip to Japan, President Corason C. Aquino warned dissidents in the military Sunday that she would have the people "take to the streets" to prevent any attempted coup against her government.
Mrs. Aquino said she has ordered army field commanders to "repel any attacks against our units of any nature or government" including possible attacks from the radical left which, she said, "may also wish to take advantage of my absence."
The army was put on the highest state of alert Sunday, and Mrs. Aquino ordered her presidential security force on special alert to prepare for any possible attack on Malacanang palace, the president's office.
Mrs. Aquino, in a televised speech, directly addressed the rumors of a coup plot dubbed "God Save the Queen."
According to reports, a handful of middle-level officers attached to the Defense Ministry were preparing "surgical strikes" to remove key members of her cabinet and to set up a prime ministerial-type system with Defense Minister Juan Ponce Enrile in day-to-day control of the government.
According to the scenario, Mrs. Aquino was to be retained as a ceremonial head-of-state, similar to the role of Queen Elizabeth in Britain.
But Mrs. Aquino said in her speech Sunday, "This queen doesn't want to be saved."
Mrs. Aquino said the plotters spreading the rumors of an impending coup were "a handful of misguided elements" and "self-appointed messiahs."
She warned, "I shall oppose any attempt from any quarter to interfere or dictate to my government, whether blatantly or as the rumored plan God Save the Queen would have it, to protect the presidency."
"To our people, I say be calm, but also be vigilant," Mrs. Aquino said. "What we have now, no one can take away from us, unless we let them," she said, adding, "If it should be necessary, I shall once more ask you to take to the streets."
Mrs. Aquino's warnings to use her "people power" in any confrontation with military dissidents seemed to indicate that, for the first time, palace officials were taking seriously the signs of a coup plot.
Mrs. Aquino had previously laughed off the coup rumors while palace officials painted a picture of "business as usual."
According to the Sunday Inquirer newspaper, which provided the most detailed accounting of the coup planning, the "God Save the Queen" plot was given final approval Tuesday during a meeting of generals.
The Inquirer report, citing palace and military sources, said Mr. Enrile himself presided at the meeting and gave the go-ahead. The defense minister and his spokesman could not be reached for comment Sunday.
Mr. Enrile has accused the Aquino government of being soft on the Communist rebels and has demanded that some of the officials he appointed be discharged.
A military officer close to Mr. Enrile said Sunday that the plan outlined in the Inquirer "is a clever weaving together of fact and fancy." He suggested it was part of a disinformation campaign by either loyalists of former President Ferdinand E. Marcos or by the communist New People's Army.
According to the plan outlined in the Inquirer story, once Mrs. Aquino left for Tokyo, members of the Defense Ministry's 1,000-man security force were supposed to initiate attacks on the palace, the radio and television stations and the print media.
The plan, according to the Inquirer, called for the military to patrol the streets in armored vehicles to prevent a recurrence of people taking to the streets as occurred in February during the coup that installed Mrs. Aquino.
The palace apparently learned of the plot Thursday and ordered the commander of the presidential security group to "repel all predatory forces," according to the Inquirer report.

Egypt's Prime Minister Replaced Over Economy

By John Kifner
New York Times Service
CAIRO — Prime Minister Ali Lutfi was dismissed from office Sunday after failing in his mandate to correct the nation's chronically troubled economy.
President Hosni Mubarak appointed another economist, Ataf Sedki, a prominent member of his ruling National Democratic Party, as his fourth prime minister in five years of rule.
President Mubarak, reflecting the government's concern over rising prices and possible social unrest, directed Mr. Sedki to "formulate a firm plan to control prices concerning the essential needs of Egyptians."
Mr. Sedki's most immediate task will be the crucial negotiations under way with the International Monetary Fund, which is pressing for drastic economic reforms in exchange for \$1 billion in emergency loans. One reason the emergency loans are needed is that Egypt has fallen \$4.3 billion behind in payments on what it already owes on its huge foreign debt.
The IMF approval would be a critical step toward Egypt's efforts to reschedule payments on its debts of some \$38.6 billion, mainly to Western creditors.
A team of IMF experts is in Cairo now reviewing the Egyptian position and is expected to begin negotiations shortly. The IMF has been pressing for a number of reforms, including a stable exchange rate for the Egyptian pound. One dollar will buy 1.35 pounds at a bank, for example, but 1.90 pounds at soft drink stands and other informal mediums of exchange around town.
An informed source said there was still a "long gap" between the Egyptian and IMF positions despite the lengthy talks that have already gone on.
Another problem is the system of consumer subsidies, mostly for food, that costs \$1.47 billion a year and is gradually bankrupting the country.
In his letter of resignation after 14 months in office, Dr. Lutfi, 50, said that "we find it is our duty to



Ali Lutfi

announce that public interest calls for giving a chance to another group of Egypt's children to continue the march."
Mr. Sedki, 56, has been head of the government's central auditing agency since 1981 and is a former professor at the law school of Cairo University.

See IRAN, Page 6

See HOSTAGES, Page 6



Pollution Contaminates the Rhine
At Unkel, a West German village on the Rhine, residents got drinking water from a water truck after the Environmental Ministry warned residents of towns along the river not to drink the water because of pollution that was coming down from Basel, Switzerland, after a fire at a chemical plant. Page 2.

Pondering Cosmos, Think Sponge — Not Meatballs

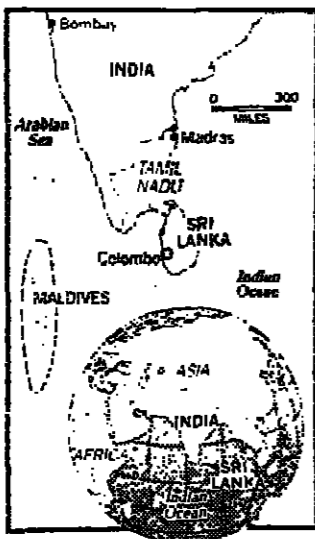
By James Gleick
New York Times Service
NEW YORK — Astrophysicists closing in on the grand structure of matter and emptiness in the universe are ruling out the meatball theory, challenging the soap bubble theory and putting forward what may be the strongest theory of all: that the cosmos is organized like a sponge.
This new conception holds that a surprisingly complex arrangement of clustered galaxies stretches in connected tubes and filaments from one end of the universe to the other and that galaxy-free voids form an equally complex, equally well connected structure.
Far more rapidly than was possible a few years ago, scientists are assembling data from the most distant galaxies to produce a picture of the universe's structure. The sponge idea is meant to resolve a clash between views of the universe as clumps of matter on an empty background, the meatballs concept, or as empty voids carved out of a full background, the bubbles concept.
Further, many astrophysicists believe that the new concept of sponge-like topology will help connect the present-day structure of the universe, on scales of millions and billions of light years, to submicroscopic events in the theoretical Big Bang in which the universe was formed. They contend that it may offer a framework for explaining the process of cosmic evolution that created such vast signs of order out of the primordial random turmoil.
"It's a clever new approach," remarked Jeremiah P. Ostriker, an astrophysicist at Princeton University who has followed the new work. "It looks to be a powerful tool for discriminating between different physical models for how the universe got its structure, and that's the really exciting thing."
Until the 1970s, most astronomers assumed that galaxies were more or less evenly distributed through the universe, with no special structure at all. Then they found evidence that galaxies formed clusters, and many conjectured that the dominant organization of matter was in the form of clumps.
Alternatively, when further observation revealed unexpected voids, some proposed that the voids were dominant — an idea that gained strong support a year ago from a project to map the distant universe in three dimensions. The project's first detailed slice showed holes strongly suggestive of a sea of bubbles, with galaxies living on the bubbles' surfaces.
In sponge-like topology, neither clumps nor voids prevail. Those studying it believe that the sponge structure is particularly natural. It is somewhat hard to visualize, though, and at a recent conference in China the astrophysicists displayed stereoscopic slides and handed out hundreds of pairs of red-blue 3-D glasses.
"We're used to thinking about these things in two dimensions," said Dr. J. Richard Gott 3d of Princeton, one of the originators of the sponge idea. "You think, gee, is it the high-density regions that are connected or is it the low-density? Is it like white polka dots on a black background or black polka dots on a white background? You fool yourself."
In three dimensions, regions of stuff and not-stuff can both be interconnected — as they are in a sponge. The solid part of a sponge is all one piece. And the hollows, through which seawater flows, are also one piece.
In fact, there is a symmetry between the two. One might imagine filling a sponge with concrete and then covering it with acid to eat away the soft part. "You'd be left with a

Voters Back Kohl's Party In Hamburg

By James Markham
New York Times Service
BONN — The Social Democrats were sharply rebuffed Sunday by voters in Hamburg, losing an absolute majority of seats and position as the biggest party in the state's parliament.
In the last state election before a national vote Jan. 25, Chancellor Helmut Kohl's Christian Democrats emerged for the first time in 33 years as the biggest party in Hamburg, which had been a Social Democratic bastion.
The Social Democrats' projected loss was 10 percent from 1982 elections.
The Greens party won an unexpected 10.4 percent of the projected vote with a slate composed entirely of women, the party's best showing in a state election.
The Greens had campaigned for an immediate abandonment of nuclear energy in the northern port state and a clean-up of the polluted Elbe River. The Greens also sought to underscore their commitment to women's rights and their opposition to Christian Democrat efforts to weaken West Germany's abortion statute.
The liberal Free Democratic Party, the junior coalition partner in Bonn, improved on its 1982 showing. But with 4.8 percent of the vote, according to projections, it failed to gain the 5 percent necessary to win seats in the Hamburg parliament.
With a projected 42.2 percent of the vote, the Christian Democrats emerged as the biggest party but without a majority to form a government. Klaus von Dohnanyi, the Social Democratic minister-president in Hamburg, rejected a coalition with the Greens.
Under Hamburg's state constitution, Mr. Dohnanyi remains in power until voted out by a government enjoying a majority. It seemed possible that the two big parties might eventually move toward a coalition in the city-state.
The Hamburg outcome was a demoralizing blow for the Social

See COSMOS, Page 6

See HAMBURG, Page 6



India Detains Rebels From Sri Lanka

By Steven R. Weisman
NEW DELHI — In a major rebuff to Tamil guerrilla insurgents in Sri Lanka, India placed several top Tamil guerrilla leaders under house arrest Sunday at their base of operations in the southern Indian city of Madras.

Lawmakers Expect a Query of U.S. Covert Actions

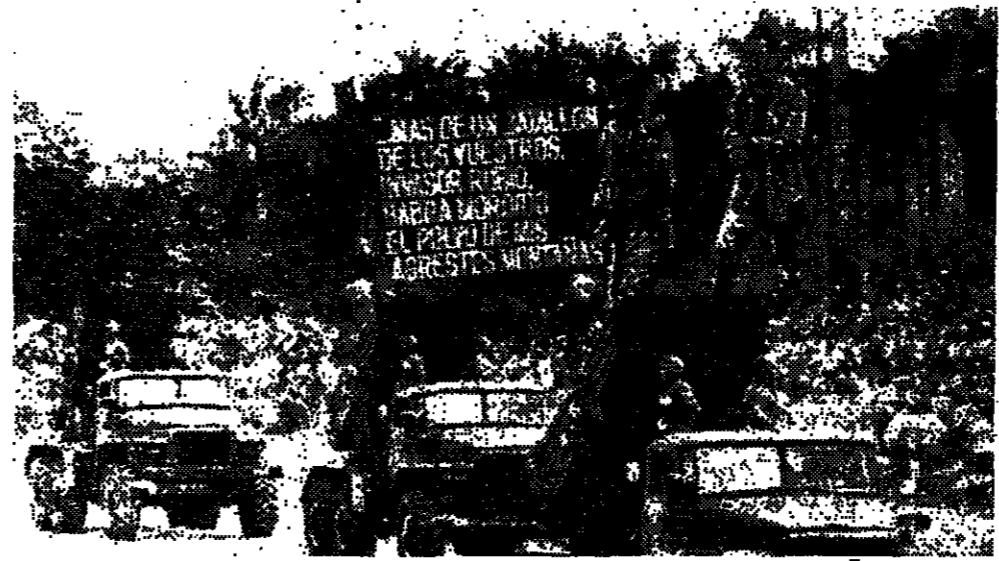
By Stephen Engelberg
WASHINGTON — Members of Congress say they will investigate whether the Reagan administration had used the White House staff to circumvent congressional restrictions on foreign policy and covert operations.

His role was described as "operational" by one knowledgeable source, who said he sometimes works without consulting area specialists at either the NSC or State Department.

On the House side, Mr. McFarlane was called to testify in closed session. Little else was done to investigate the allegations, according to a congressional source.

The President's Colonel: Risky, Secret Operations

By Richard Halloran
WASHINGTON — Since 1981, when he reported to the White House for duty on the National Security Council, Lieutenant Colonel Oliver L. North has had a reputation for involvement in risky, secret operations, including the Nicaraguan rebels and the unfolding Iranian venture intended to obtain the release of American hostages in Lebanon.



SANDINISTS CELEBRATE — Missile launchers on parade in Managua on the 25th anniversary of the Sandinist National Liberation Front and the 10th anniversary of the death of Carlos Fonseca, a founder. The sign depicts the capture of Eugene Hasenfus, who flew arms to rebels.

As a bright, articulate officer with a "gung ho" spirit who saw the world in blacks and whites, Colonel North became a "true believer" in Mr. Reagan's policies.

most of the White House staff work for the invasion of Grenada. About this time, he also became the key action officer for Central America.

Artur London, 71, Dies; Czechoslovak Writer

PARIS — Artur London, 71, a former government minister in Czechoslovakia who wrote a book describing his "show trial" there, died Saturday in Paris after a long illness, his family said.

After Delay, U.S. Begins Trade Curbs on Pretoria

WASHINGTON — The Reagan administration has begun carrying out sanctions imposed by Congress on South Africa, after weeks of delay that have caused chaos at ports and prompted accusations by legislators that the administration failed to act promptly.



Artur London
Independent Television, which began its first regular broadcasts in London in 1955. The network links 15 regional commercial stations in Britain, including two in London.

Rhine's Ecological Balance Is Endangered by Pollution

By William Tuohy
BONN — Walter Wallmann, the West German environment minister, has warned that the ecological balance of the Rhine River, Western Europe's busiest waterway, might be damaged by toxic waste poured into it in Switzerland a week ago.

For the Record

Two supertankers were reported hit Sunday in Iraqi air attacks in the northern Gulf, according to shipping sources. They said a Cyprus-flag tanker was hit, but its crew was taken off safely.

WORLD BRIEFS

Rebel Force Accepts Truce in Chad

PARIS — Chadian rebel forces led by former President Goukouni Oueddei have agreed to a cease-fire with the government of President Hissene Habré, a Paris spokesman for Mr. Goukouni said Sunday.

7 Die in Amal-Palestinian Fighting

BEIRUT (UPI) — Shiite Muslim Amal militiamen and Palestinian guerrillas trapped in a refugee camp in Beirut fought Sunday for the 7th day. The police said seven persons were killed and more than 30 wounded.

Second Unit Restarted at Chernobyl

MOSCOW (AP) — The No. 2 reactor at the Chernobyl nuclear plant has been restarted for tests following the return to service of the No. 1 unit, it was reported Sunday.

Peruvians Vote in Municipal Elections

LIMA (UPI) — Peruvians voted Sunday in municipal elections, with the issue in the capital being whether to keep in office Mayor Alfonso Barrantes Lingán, the only Marxist mayor elected to govern a capital city or major metropolitan area in South America.



Alan Garcia Pérez

THE BREAKFAST TIME TOAST

At 9am each day the board members of James Burrough may be found making their toast. That's the time when they sample and 'nose' the previous day's distillation of Beefeater London Dry.



THE GIN OF ENGLAND

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Tx: 55 393

LUGANO
Hotel Commodore
Riva Caccia 6
CH-6900 Lugano
Tel: 091/54 39 21
Tx: 79 331

WHERE FRIENDLY SERVICE AWAITS YOU

DOONESBURY
THANKS FOR BEING HERE, RICK. IT'LL MEAN A LOT TO LACEY.
HOW'S SHE HOLDING UP?
NOT SO WELL. SHE'S FEELING TERRIBLY GUILTY THAT SHE MIGHT NOT SURVIVE AT THE TIME.
AND NOW SHE'S GOT TO GET THROUGH THIS MEMORIAL SERVICE WITH ALL OF DICK'S BIRDING BUDDIES.
MRS. DE I BROUGHT YOU A PEREWÉ. I FOUND A REALLY GOOD PERWÉ.
JEREMY COME QUICKLY! I FOUND A REALLY GOOD PERWÉ!
GOT IT!

Handwritten signature: John, no. 10

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AMERICAN TOPICS

Seniority Inadequate To Open Pork Barrel

Congressional seniority is less a factor in who gets lucrative pork barrel federal projects than districts that already have major research and defense contractors, military bases or federal agencies, The Washington Post reports.

A study by Targeted Research Associates, a Washington firm, said that Missouri's First Congressional District received \$3.4 billion in fiscal 1985, more than any other of the 437 districts. Its congressman is William L. Clay, a nine-term Democrat whose highest committee post is the chairmanship of a subcommittee on labor-management relations. But the district is home to General Dynamics and McDonnell-Douglas, two huge defense contractors that receive periodic infusions of taxpayers' money.

Although the Texas district represented by the majority leader in the House of Representatives, Jim Wright, is among the 10 best-funded, so are two districts in Georgia and Virginia whose congressmen have served no more than four years each, but which harbor Bell Helicopters, Lockheed and the Newport News shipyard.

Short Takes

Most mothers with children under 18 stay at home most of the time, despite the influx of women into the labor force over the past generation, according to a study by the American Enterprise Institute, a private policy research group. It said that about 60 percent of such mothers were not working full time and that about 40 percent were not working at all.



JACKPOT CLIMBS — As the jackpot in the New York Lottery's lotto game reached \$22 million, New Yorkers began lining up to buy tickets in Manhattan.

Coups are familiar to Domingo Linares, a Bolivian who has taken part in a couple himself. Now a naturalized American living in Miami, Mr. Linares is marketing a board game called International Intrigue. As in real life, player-plotter can choose to defend the government or to try to take it over. A roll of the dice can land a player on squares such as the Ministry of Internal Affairs, the army and the secret police.

Shorter Takes: A Miami grand jury refused to indict Clarence F. Rasheed, whose body was trapped electrocuted a burglar who had broken into his general-merchandise store. The jury said there was no evidence that he had intended to kill anybody. In an age of personal computers, the long, yellow legal pad is thriving. The U.S. Census Bureau says nearly 369 million were manufactured last year, 10 or 15 percent more than a decade ago. With motels going up downtown as well as on the highway, their distinction from hotels is increasingly blurred. The American Hotel and Motel Association says the only difference it recognizes is that motels always provide parking.

Notes About People

Walter F. Mondale, the 1984 Democratic party nominee for the presidency, has confirmed that he turned down a request from Ernest Pflieger, a Wisconsin lawyer, to defend Eugene Hasenfus, the Wisconsinite put on trial in Nicaragua after his rebel supply plane was shot down. Mr. Mondale said: "I was the Democratic nominee for president. I have strong views about Nicaragua. I dislike the Sandinistas, and I don't approve of the 'contra' operation. I would have to find out who is paying Hasenfus. I told him, 'I think you would be wiser to find someone less politically charged.'"

William F. Rogers, who has appeared before Senate committees to win confirmation as attorney general and as secretary of state, says the chief role of conduct in such appearances is, "Say as little as possible while still appearing to be awake."

—ARTHUR FIGBEE

Kennedy Chooses Senate Labor Chair Over Judiciary

By Jonathan Fuerbringer

WASHINGTON — Senator Edward M. Kennedy has chosen to take over the Senate Labor and Human Resources Committee, thereby clarifying the probable lineup of key chairmanships when the Democrats assume control of the Senate next year.

His decision to head that committee rather than the Judiciary Committee, announced Saturday in Boston, leaves the Judiciary chairmanship to Senator Joseph B. Biden Jr., a Delaware Democrat who is a possible presidential contender in 1988.

The Democrats won control of the Senate in Tuesday's elections, taking 55 seats to the Republicans' 45, which allows them to choose committee chairmen. The chairmanships will be formally decided by the Senate Democratic caucus but are generally awarded on the basis of seniority.

Mr. Kennedy had seniority on both the Labor and Judiciary committees and so could choose either. One other chairmanship is still in some doubt. Senator J. Bennett Johnston of Louisiana is in line to be chairman of Energy and Natural Resources. But he is challenging

Senator Robert C. Byrd of West Virginia, the current Democratic leader, for the job of majority leader. If Mr. Johnston became the majority leader, Senator Dale Bumpers of Arkansas would be in line to be chairman of the energy panel.

With Mr. Kennedy's decision, moderate to conservative Democratic senators from the South and Southwest will be in control of 9 of the 17 key committees.

In assessing the impact of these chairmen, said Norman Ornstein, a fellow at the American Enterprise Institute, "You've got a senior group of Democrats who are more conservative than the Democrats in the Senate."

"Therefore," he added, "there will not be a sharp difference from the Republican Senate" in most cases. When the Republicans were in control the committee chairmen were generally less conservative than the Republican members overall.

Despite the moderate bent of most of the probable new chairmen, some sharp clashes are expected when the Senate Democrats start setting their own agenda for the first time in the Reagan administration. One of the first clashes of the 100th Congress may be a fight over trade legislation.

Several of the new chairmen said they were pleased by the moderate to conservative philosophy of the Democrats that will head the committees.

Senator David L. Boren of Oklahoma said the new lineup would help the Democratic Party over all. Mr. Boren, who is expected to be chairman of the Select Committee on Intelligence, said: "We feel our region needed representation again and that we needed more Democrats in the moderate wing of the party."

And, he said, "it really gives a new lease on life in the part of the country where the Democratic Party needs to make a comeback."

Senator Lawton Chiles of Florida, who appears to be the new chairman of the Budget Committee, said: "We're a group that has been working together for a long time. We're all fiscal conservatives and pragmatists."

The sharpest shifts in policy and ideology are expected on Labor and Human Resources, Judiciary, Banking and Foreign Relations. Mr. Kennedy, a liberal from Massachusetts, will be replacing Orrin G. Hatch, a conservative Republican from Utah. Mr. Biden will be taking over Judiciary from Strom Thurmond of South Carolina.

At Foreign Relations, Claiborne Pell, a Rhode Island Democrat who opposes aid to the rebels in Nicaragua, replaces Richard G. Lugar, who supported such aid.

At Banking, William Proxmire, a Wisconsin Democrat who will be replacing Jake Garn of Utah, is expected to be more attuned to consumer interests.

Mr. Biden was not available for comment Saturday, but his staff said he would assume the Judiciary chairmanship, which is expected to be one of the most visible jobs in the Senate as the Democrats try to fend off judicial nominations of President Ronald Reagan.

This year, as the ranking Democrat on the committee, Mr. Biden led the fight against Daniel A. Manion, who was ultimately confirmed for the federal appellate bench, and worked unsuccessfully against the nomination of William H. Rehnquist as chief justice of the United States.

The Labor chairmanship will put Mr. Kennedy in a position to formulate new directions for government programs concerning benefits, jobs, health and education, rather than the more defensive position at Judiciary.

He will also be involved in many programs important to the organized labor movement.

Pundits, Pratfalls Among the Polls

Election Pollsters' Lament Focuses on Elusiveness of Quarry

By Martin Tolchin

WASHINGTON — A post-mortem of the professional pollsters' performances this election year shows they accurately indicated that many of the Senate races would be close, and they often showed candidates moving from the loser column to the winner.

But there were wide fluctuations in polling competence and many errors that exceeded the margin of sampling error of three to five percentage points that is generally factored in.

"Polling ranged all over the lot," said Peter Hart, a Democratic pollster.

In the elections, Democrats retook control of the Senate by a margin almost no one predicted and made smaller gains in the House, and the Republicans picked up several gubernatorial slots around the nation.

Explaining their performance, the pollsters speak of sampling errors. They note last-minute voter shifts. They lament the difficulty of identifying likely voters, the perils of low voter turnout and the seemingly quixotic decisions of hitherto undecided voters.

Key ingredients in any poll include the size of the sample and its distribution, whether it includes an adequate proportion of blacks or Hispanics, for example. If it surveys a small number of people, it carries a greater margin of error.

And "if the turnout is 10 percent greater or less" than was anticipated, "you get different results," said Tom Griston, executive director of the National Republican Senatorial Committee, which financed polls for candidates.

The biggest problem, said John Brennan, a polling specialist for ABC News, was trying to identify likely voters.

"The young voters didn't show up," he said.

Mr. Hart, the Democratic pollster, is among those who work for the candidates themselves. These polls indicate whether a candidate is gaining or losing momentum;

they set off warning signals and inform a candidate on the issues and events that are shaping the contest.

In addition, many news organizations have started their own political polling, with mixed results. A Washington Post-ABC News

poll completed Oct. 29 indicated leading margins for what turned out to be losing candidates in 4 of 10 close Senate races.

In Colorado, the poll gave Ken Kramer, the Republican, a seven-point edge; Timothy E. Wirth, the Democrat, actually won by two percentage points. In Idaho, the poll gave John V. Evans, a Democrat, a two-point edge; the incumbent, Senator Steven D. Symms, a Republican, eked out a four-point victory.

One major poll showed leading margins for losers in 4 of 10 Senate races.

In South Dakota, the poll gave Senator James Abdnor, a Republican, a five-point edge; his challenger, Thomas A. Daschle, a Democrat, won by four points. In Washington, the poll found Brock Adams, the Democratic challenger, trailing Senator Slade Gorton by five points; Mr. Adams won by a two-point margin.

The poll was more accurate, however, in recording voter sentiment for the Democrats who won their Senate races in California, Florida, North Carolina, Louisiana and Nevada.

The Denver Post, in a tracking poll, accurately projected the outcome of the race between Mr. Kramer and Mr. Wirth, although it gave Mr. Wirth a winning edge of four points instead of the actual two.

Less successful was a poll of 405 likely voters between Oct. 29 and Nov. 1 conducted for The Birmingham News by Capstone, a University of Alabama organization. It found Senator Jeremiah Denton, a Republican, leading his Democratic challenger, Representative Richard C. Shelby, by 52 percent to 45. Three days later, Mr. Shelby won the race, by 11,000 votes.

Panel Charges That Supreme Court Undermines Sovereignty of U.S. States

By Robert Peat

WASHINGTON — A Reagan administration report says that the Supreme Court has systematically undermined state sovereignty for more than 50 years and proposes a strategy to correct what it calls an "erroneous judicial reading" of the U.S. Constitution.

The confidential report on federalism concludes, after a 15-month study, that the court has improperly pre-empted and invalidated the states' legitimate exercise of their sovereign powers, leaving them to not only as "satrapies" or "administrative units" of a "virtually omnipotent national government."

White House officials said the report would set the agenda for domestic policy in the next two years. It was submitted last week to the Domestic Policy Council, a cabinet-level advisory body, by its Working Group on Federalism, composed of officials from nine agencies.

Assistant Attorney General Charles J. Cooper is chairman of the working group. Attorney General Edwin Meese 3d presides over the council.

The document, which was obtained by The New York Times, particularly criticizes the court's broad interpretation of the federal power to regulate interstate commerce. It calls for litigation aimed at overturning some judicial decisions and it says Congress itself should halt "the practice of conditioning eligibility for federal grants on compliance with regulations having little or no relationship to the program being funded."

"Grants for highway construction, for example, have been used to require that states regulate billboard advertising, hide junkyards along the road, survey all their roads to identify and correct hazards, impose Hatch Act prohibitions on the political activity of state employees, adopt a 21-year-old drinking age and comply with the now infamous 55-mile-per-hour speed limit," it continued.

Mr. Cooper, a former law clerk to Justice William H. Rehnquist of the Supreme Court, who is now chief justice, said in an interview that "the national government has been behaving without legitimate constitutional warrant" in usurping state authority.

The report asserts that the Supreme Court has struck down state laws in cases where no actual conflict with federal law and no evidence that Congress intended to pre-empt state law existed. For example, it said federal judges had invalidated state divorce laws, state noise regulations, state utility regulations and state usury laws.

It says the Supreme Court showed "indifference" to the principle of federalism in 1973 when it guaranteed women access to abortion and limited the states' power to regulate abortion. Moreover, it says court rulings on the reapportionment of state legislatures since 1962 represent "an unprecedented intrusion" into state affairs.

Under the constitution, Congress has the power to regulate interstate commerce. By its expansive interpretation of this power, the report says, the Supreme Court has given the federal government a virtual "license to prescribe uniform public policies in an almost limitless range of areas traditionally within the province of state governments."

In this way, it said, the "commerce power" has been used to "undermine the sovereign decision-making authority of the states" and "the Supreme Court has acquiesced" in improper expansions of federal power.

The report, "The Status of Federalism in America," makes these proposals:

• Before passing any bill, Congress should assess its effects on federalism. Congress should amend its rules to permit lawmakers to raise a point of order against any bill that violates "the sovereign prerogatives of the states."

• States should be allowed to consolidate numerous federal grants into one lump sum, with few federal restrictions on use of the money.

• Federal agencies should not be able to pre-empt state laws by issuing regulations. Federal laws should not be construed as preempting state laws unless Congress declared its desire to do so.

• The Justice Department or the Office of Management and Budget should review all proposed federal rules to assess their effects on federalism.



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Large advertisement for KLM Boeing 737-300 aircraft. Features the headline "What do you know about KLM's new 737?" and "Just some inside information". Includes an image of the aircraft and the KLM logo.

INTERNATIONAL Herald Tribune

A Harmful Little Pact

As October faded, Japan reduced its interest rates slightly in response to American pressure, and the two countries announced a vague commitment to stabilize the exchange rate between the dollar and the yen.

concessions to the United States, but this is unlikely as we move slowly into a new trade bargaining round under the General Agreement on Tariffs and Trade.

Murky Doings With Iran

There is still no clear statement from the U.S. government about the allegations of arms-for-hostages dealing first reported by Iran.

Iranian connection that it was working to help free hostages of old terrorism and perhaps to diminish sponsorship of new terrorism.

Filling In the Trade Void

"We can say it all in four words: The Democrats are back." That was Democratic Chairman Paul Kirk's summary of the election that restored his party's control of the Senate.

recent years is tiny compared with the number created by growth at home. But the stone wall policy has been compromised for reasons of political health.

The Occupied Lands: Shamir's Top Problem

By Abba Eban

The writer, former foreign minister of Israel, is chairman of the Knesset's Foreign Affairs and Defense Committee. This is the first of two articles.

JERUSALEM — The most acute and urgent problem facing the new government established last month in Israel will be the populations and territories in the West Bank and Gaza.

tions and thwart any hope of peace in the future. In the elections of June 1984, one million Israelis voted for explicit anti-annexationist platforms.

'The Great Satan' Remains Just That for Many in Iran

By Shaul Bakhash

F AIRFAX, Virginia — The Iranian government, facing grave difficulties at home, has had obvious reasons to seek a deal — but a strictly limited one — with the United States.

visit foreign countries. The sensational arrest last month of Mehdi Hashemi, the head of the Revolutionary Guards unit responsible for supporting liberation movements abroad,

The Great Satan. The regime, it is true, has been seeking both to shed its reputation for supporting terrorism and to mend fences with a number of foreign states.

True, moderates in the government were able to persuade Ayatollah Khomeini to pursue a deal with the United States: Iran apparently helped to secure the release of an American hostage in Lebanon in exchange for access to U.S. arms.

The government has had to cut its budget severely. Factories have gone on short shifts and even shut down for lack of imported spare parts and raw materials.

Iran has been unable to secure all the arms it needs for its war with Iraq. Baghdad's generally inept military has in recent months succeeded in inflicting serious damage on oil exporting facilities, refineries and industrial plants.

These factors might explain why any proposed deal with Washington began to unravel once the McFarlane visit became public. It would also explain the contempt with which Iranian officials referred to the visit.

It has been evident for some time that some Iranian officials favor a more moderate foreign policy and a winding down of the war with Iraq.

These internal difficulties explain recent Iranian moves to repair relations with France, the Soviet Union and Saudi Arabia. Tehran also has given up trying to subvert the smaller regimes in the Gulf.

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On Hungary and the Failed Soviet Empire

By William Pfaff

VIENNA — The second and decisive Soviet attack upon the Hungarian insurrection of 1956 began on Nov. 3. Its ruthlessness has since been taken as proof of the Soviet Union's determination to dominate Eastern Europe permanently.

by power alone? In every empire, what goes first is power. The basis of power, and the willingness to use it, begin to fail, as they did for Rome after the 4th century A.D., for Spain in the 18th century, and for Britain and France after World War I.

It was an act of desperation, following an initial Soviet withdrawal and 10 days of indecision and attempt at compromise with a popular movement that had seceded the control of those trying to lead it. It was a grave political failure. That failure craves to pose a fundamental threat to international peace.

Latin America, India, Pakistan, Francophone Africa, even Indonesia, would not be what they are today without the colonial experience. Eastern Europe, by contrast, would, if it could, expel every single evidence of Soviet presence.

The contrary has been true in Hungary and the other East European states. The Soviet Union brought no advance of civilization. It brought unworkable ideas of command economy and collectivized agriculture, and the practices of the police state.

Nothing really has been settled since 1956. Nothing has been settled in Czechoslovakia or Poland. The Hungarians, Czechs, Slovaks and Poles live as they do because the Soviet Union has demonstrated its inability to reform its system, or theirs, and, at the same time, its mortal fear of change.

OPINION

The Error Fahd Would Not Forgive

By Jim Hoagland

PARIS — You need not dig deeply into geopolitical theory or ponder Gulf politics to understand why Sheikh Ahmed Zaki Yamani lost his job as Saudi Arabia's oil minister. He was enough for his boss, King Fahd.

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Time Is Running Short For the Tropical Forests

By Roger D. Stone

WASHINGTON — Many Americans feel that saving the world's tropical forests warrants little serious concern. In Europe and the United States, they say, deforestation is the inevitable and desirable consequence of economic progress.

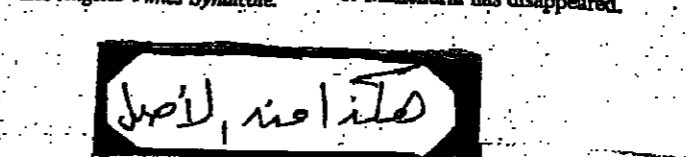
and fragrances and spices — that often cannot be raised in any but natural conditions. Harvesting beyond sustainable limits has already brought some of the world's best hardwoods — Brazilian rosewood for example — near extinction.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Flag Over Canton HONG KONG — According to a despatch from Canton, the Republic has been declared there without fighting. The Republican flag was hoisted on forts, warships, customs houses, amid tremendous rejoicing.

1936: A Mississippi Trial JACKSON, Mississippi — The Mississippi Supreme Court (on Nov. 9) confirmed the death sentence passed on William Clark Mitchell, 65, one of the few Southern whites ever condemned to die for killing Negroes.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen



OPINION

Conservatism Goes Haywire In Challenges to Textbooks

By George F. Will

WASHINGTON — A 1960s sensibility is sinking back into public life, this time in conservative judicial activism that is as pernicious as liberal activism. In the Tennessee textbook case, conservatives have invoked, as '60s radicals did, "sincerity" as a license for turning schools into arenas of conflict.



"That triangle suggests a trinity. That straight line doesn't explain the shortest distance to heaven. The equal sign suggests humanism. And why are you using a math book instead of a Bible?"

Dark Age of the Sweatshop Persists in U.S.

By Colman McCarthy

BROOKLYN, New York — To the unpracticed eye, nothing appeared out of order. The neighborhood along 8th Street and west of Bay Ridge, is a mix of Hispanic and Oriental working-class families that on this sunny Saturday had come to shop at the local stores.

LETTERS TO THE EDITOR

A Rebuke for Britain's Social Democrats From the SPD

The opinion column by Shirley Williams, president of Britain's Social Democratic Party, caused some concern. ("Don't Waste Reykjavik's Achievements," Oct. 27.) It is a question of her party's taste when she criticizes the Labor Party's security policy abroad.

Israel's Nuclear Might

In response to "Israel Is Said to Detain Atom Worker" (World Briefs, Oct. 27): The alleged kidnapping in Europe of Mordechai Vanunu by Israeli agents in violation of international law and norms deserves more substantial coverage than it has been getting.

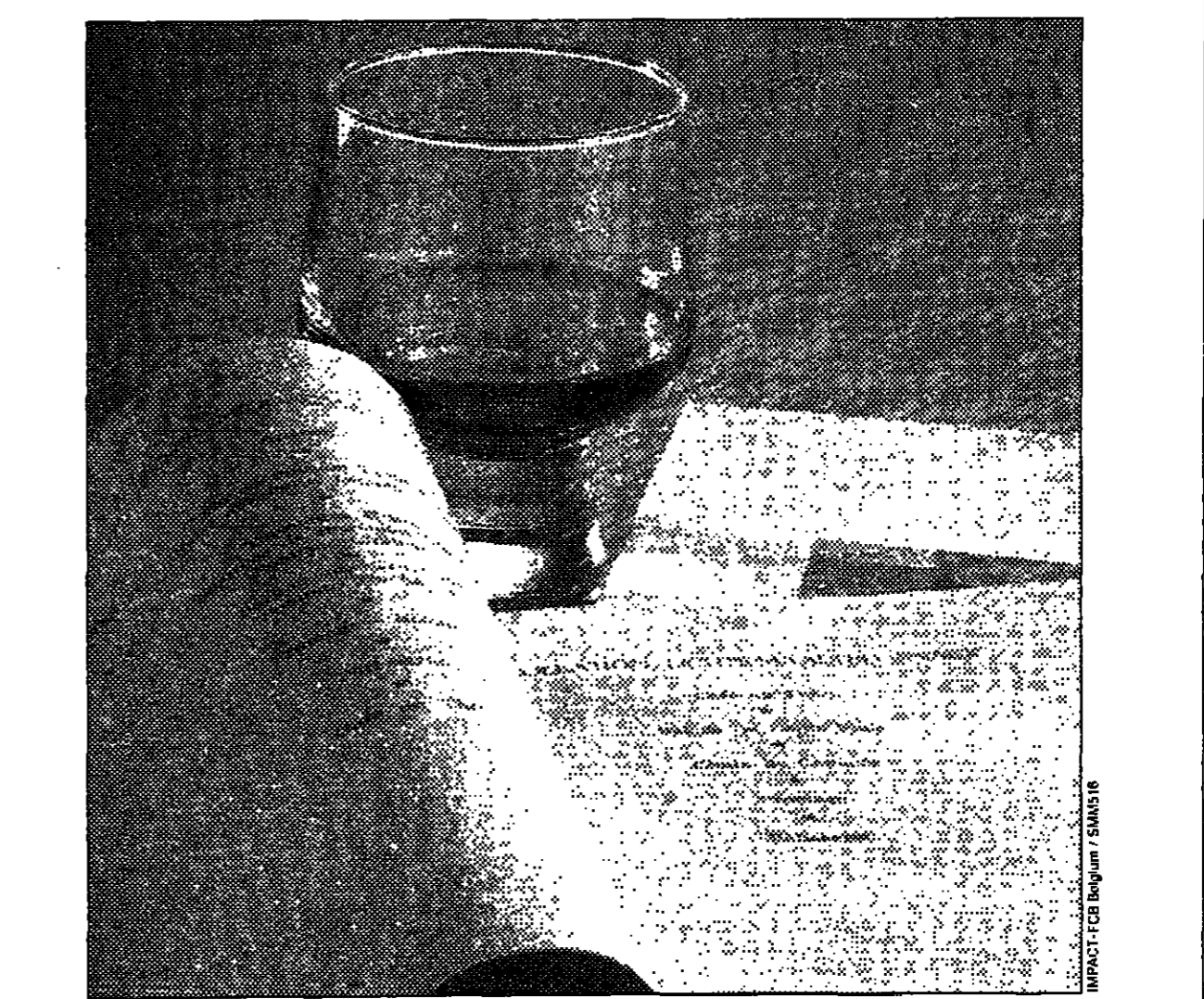
General News

U.S. Plan Irritates Pakistan, Angers India

By Steven R. Weisman New York Times Service NEW DELHI — A preliminary decision by the United States to send early-warning radar planes to Pakistan has created irritations in Islamabad and outright anger in India.

Ethnic Clashes in Karachi: Fears of Worse to Come

By Richard M. Weintraub Washington Post Service KARACHI — Clashes that left at least 40 persons dead last week have added another troubling strand to Pakistan's political fabric.



Sabena. Savoir faire in the air. Sabena Business Class. We put the emphasis on class. With their intercontinental Business Class, Sabena have thought of everything. hot towel, some music or a good movie? No problem. And when you arrive, you'll find your luggage is the first to be unloaded.

Israel Admits Detaining Nuclear Technician, but Denies Abducting Him

By Glenn Frankel
Washington Post Service

JERUSALEM — Israel acknowledged Sunday that it was holding Mordechai Vanunu, the former nuclear plant technician who disappeared from London after revealing details of what was said to be Israel's top secret nuclear bomb program to a British newspaper.

The government said press reports that Mr. Vanunu had been kidnapped on British soil were without foundation. It also said that he was being detained under a court order. The order was issued, it said, after a hearing attended by a lawyer that Mr. Vanunu chose.

The announcement denied British press reports that former Prime Minister Shimon Peres sought approval in September by Prime Minister Margaret Thatcher of Britain for a plan to abduct Mr. Vanunu and return him to Israel for trial.

The statement said that there was "no basis to the report that Mr. Peres contacted Mrs. Thatcher in order to inform her about something that he never took place."

The statement did not divulge how Mr. Vanunu, 31, was returned to Israel, nor did it indicate where he was being held or whether, as

press reports have indicated, he will face a treason trial for his revelations to *The Sunday Times*.

There was no indication why Israel chose to acknowledge Mr. Vanunu's detention. But the decision reportedly was made after a cabinet session Sunday at a meeting between Mr. Peres, who is now the foreign minister, Prime Minister Yitzhak Shamir and Defense Minister Yitzhak Rabin. The cabinet secretary, Elyakim Rubinstein, who read the statement to reporters, refused to answer questions.

The government has been under pressure from the Israeli media to comment about the case and about charges of weak security at the top secret nuclear reactor facility in Dimona.

Last week, the military censorship office allowed the local press to publish stories harshly attacking Mr. Vanunu. Those accounts depicted Mr. Vanunu as an unstable extrovert with a long history of leftist, pro-Palestinian activism both during his student days at Beersheva University and as an employee of Dimona for nearly 10 years.

He was laid off last year, not for security reasons but because of



Mordechai Vanunu

budget cutbacks at the plant. The *Sunday Times* reported Sunday that an unnamed senior official of Shin Bet, who was in charge of plant security, had been dismissed because the Vanunu case.

When he left the plant, Mr. Vanunu allegedly took with him several volumes of charts and other data outlining the operation of a nuclear bomb plant allegedly operating underground below the Dimona facility.

That information, and photographs Mr. Vanunu supplied of the plant, became the basis for an Oct. 5 report in *The Sunday Times* alleging that Israel had been secretly building nuclear warheads at Dimona for 20 years and had stockpiled 100 to 200 nuclear weapons.

On U.S. Campuses, Liberal Arts Make a Comeback

By Edward B. Fiske
New York Times Service

NEW YORK — Liberal arts are making a comeback on the American college campus after more than a decade of battering by business, engineering and other vocational fields of study.

At institutions ranging from the University of Massachusetts to Arizona State University, the number of students majoring in arts and sciences has begun to rise after falling precipitously in the late 1970s.

"The numbers are going up slowly," said James H. Bunn, vice provost at the State University of New York at Buffalo, where the number of new liberal arts majors jumped 15 percent from 1981 to 1985.

"The history of higher education," he said, "is a series of pendulum swings, and right now the arts and sciences are in the ascendancy."

Colleges also report that students in business and other vocational fields have begun adding more liberal arts courses to their programs and that dual majors in which students combine fields like accounting and psychology are on the increase.

Educators cite numerous reasons for the renewed interest in the liberal arts, among them better job prospects for arts and sciences graduates. Earlier this year the *Northwestern* Endicott Report, which surveys the hiring policies of companies across the country, reported a 20 percent increase in interest in liberal arts majors from 1984 to 1985.

"Corporate leaders have been complaining that they want a broader education from their employees," said Shirley Strum Kenney, the new president of Queens College of the City University of New York, in Flushing, who has organized a board of 12 corporate executives and faculty members to suggest ways of preparing liberal arts majors for the job.

"This kind of education," she said, "helps prepare students for the communication and analytical aspects of business jobs."

Students' new interest in liberal arts includes some of the pragmatism that caused the earlier rush to vocational programs.

"I couldn't tell you how many real estate or computer science majors there are here who couldn't write a coherent paragraph if their life depended on it," said John Dietrich, a junior at Southern Methodist University, in Dallas, who is majoring in Spanish and political science. "The reason I'm after a liberal arts diploma is to have an edge on these people."

The shift in student interest from liberal arts to vocational and professional fields over the last 10 to 15 years is well documented. The federal Education Department has reported

'Students aren't just coming back to the classics — they're desperate for them.'

— Professor Edward Phinney, University of Massachusetts

ed that the number of bachelor's degrees awarded in business more than doubled from 1971 to 1984, to 230,031 from 114,865, as degrees in English and literature plummeted to 24,419 from 57,026.

"When the economy tightened up, people looked for jobs that would earn a lot of money," said Joseph D. Duffey, chancellor of the University of Massachusetts, at Amherst. "Now, because the economy has loosened up and everyone's a little more relaxed, the pendulum is swinging back. With liberal arts, you get an education for life and learning, not just for getting a job."

The liberal arts revival is reflected in recently reported figures on applications and choices of majors. At Northwestern University in Illinois, for example, applications to the School of Arts and Sciences rose by 49 percent from 1984 to 1986, while overall applications, including those for engineering, education, music, journalism and speech studies, increased by 26 percent.

Closely related to the increase in liberal arts majors is the growing inclination of students in career-oriented programs to take more liberal arts electives. At the University of Florida, enrollments are up this year in languages, religion, English, history and art.

"Students are more willing to experiment than they were in the past," said Charles Mallory, an assistant dean there. Edward Phinney, chairman of classics at the University of Massachusetts, said enrollment in his department was 612 this year, as against 524 in 1984. "Students aren't just coming back to the classics — they're desperate for them," he said. "They don't tell them how to deal with their majors," he said, "but they tell them how to deal with their personal goals, family relations or life in general. Parents have always fought with their children. Kids have always abused their subjects, and every Greek hero had to go through some type of agony. Students take comfort from knowing this."

Students also see a practical side to leaving engineering or other programs with liberal arts electives. "More than ever other programs will be flexible and get ready for new jobs," said E.J. Martell, director of career planning and placement at the State University of New York at Buffalo. "To train in one line of work is outdated."

For such reasons, a growing number of vocational students are moving toward dual majors. Susan Drucker, a student adviser at Queens College, said many accounting majors there were "certified" of listing a single vocational major on their business school applications.

Some institutions now make dual majors mandatory for some students. The University of Miami requires education, communication and nursing students to take a second in either the College of Liberal Arts and Sciences or the School of Music.

"Nurses have to make many decisions, sometimes life or death, in the course of a day, and the broader-based knowledge behind that decision means a better decision," said Fran Keen, associate dean of the School of Nursing.

Other institutions have acted to strengthen liberal arts requirements generally. The University of Connecticut has a new core curriculum for all schools that emphasizes liberal arts.

Nakasone Tries to Soothe Beijing-Seoul Relations

United Press International
BEIJING — Prime Minister Yasuhiro Nakasone of Japan has offered to act as an intermediary in efforts to establish more contacts and better relations between China and South Korea. Japanese officials said Sunday.

Ending a two-day visit to China, Mr. Nakasone told the Communist Party leader, Hu Yaobang, that his trip would "further enhance the two countries' relations," the official Xinhua News Agency said.

Earlier, Mr. Nakasone said that he conveyed to Chinese leaders South Korea's "strong request" for increased trade and sports links with Beijing. China has no diplomatic relations with Seoul.

"To ease tensions and maintain peace in northeast Asia, we will be pleased, if necessary, to play the role of a bridge, or go-between, between China and South Korea," Mr. Nakasone said.

Japanese sources said Mr. Nakasone made the offer in his meeting with Mr. Hu on Saturday. Mr. Hu did not reply, the sources said.

Mr. Nakasone said he also conveyed to Chinese leaders South Ko-

rea's wish that China take part in the 1988 Olympic Games in Seoul. He said he told Mr. Hu that Chinese athletes received "great applause" when they entered the stadium at the Asian Games in Seoul in September.

Analysts see China's participation in the Asian Games as a sign of a slight thaw in Beijing's attitude toward South Korea.

Observers also note increasing unofficial trade links between the two countries. Seoul says its trade with China, mostly channeled through third countries, was worth \$600 million to \$1.4 billion last year.

Japanese sources said Mr. Nakasone told Mr. Hu that China should join the United States and the two Koreas for talks on easing tensions on the Korean peninsula.

China, whose friendship with North Korea is believed to be under increasing strain because of Pyongyang's growing ties with the Soviet Union, has supported talks between the other three parties.

Mr. Nakasone also met with Prime Minister Zhao Ziyang and with Deng Xiaoping.

HAMBURG: Party Rebuffed

(Continued from Page 1)

Democrats as they prepared for the national election campaign. The party, which saw its share of the vote fall from 51.3 percent four years ago to a projected 41.4 percent, was apparently punished because of Hamburg's high level of unemployment and eroding industrial base.

The rout was also partly attributed to a scandal involving a trade union housing conglomerate known as Neue Heimat, which has its headquarters in Hamburg. The Social Democrats are closely linked to the unions, which sold the debt-ridden Neue Heimat concern for the token sum of one mark.

The dismal showing further eroded the credibility of the Social Democrats' proclaimed goal of attaining an absolute majority in the Bundestag in January. Most opinion polls put the party at about 40 percent of the national vote.

Johannes Rau, the Social Democrats' candidate in the national election, has ruled out a coalition with the Greens to form a government in Bonn.

U.S. Activating Cruise Missile Bomber, Will Exceed Limits of SALT-2 Treaty

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The United States will exceed the limits of the 1979 strategic arms agreement early this week when a new cruise missile bomber becomes operational at Carswell Air Force Base in Fort Worth, Texas, government sources said Saturday.

The B-52 bomber is to be transferred from the air force Air Logistics Center in San Antonio, Texas, where it is overhauled and outfitted to carry cruise missiles. An air force official said the transfer would occur "at the beginning of the week."

Government sources say the United States will then be in violation of a key provision of the unratified 1979 treaty, which limits each side to no more than 1,320 missile warheads and bombers with cruise missile capability.

[White House and Pentagon officials described the report as premature. The officials said President

Ronald Reagan would go through with his decision, announced in May, to break the limits of the accord but that the timing had not been decided. The Associated Press reported from Washington.

[A Pentagon spokesman, Robert B. Sims said the timetable cited by The Post was "premature." The White House spokesman, Larry Speakes, said he understood there would be no deployment until December.]

Some officials say the United States has been in technical violation of the pact since the bomber with the cruise missile attachments was moved outside three or four weeks ago. But other officials said the violation would occur after the plane was flown to Carswell.

Administration officials said that deployment of the additional cruise missile bomber was in keeping with Mr. Reagan's decision in May to stop respecting the treaty limits and to base strategic weapons decisions on "the nature and

magnitude of the threat posed by Soviet strategic forces."

At the time, Mr. Reagan said his decision was based on "direct Soviet noncompliance" with the treaty, which has been respected by the Reagan administration even though it was never ratified by the Senate.

His decision aroused controversy, however, and last month the House and Senate wrote into a defense authorization bill a section saying that "it is in the national security interests of the United States to continue voluntary compliance with the central numerical sublimits of the SALT-2 treaty," such as the limit of 1,320 warheads and bombers, "as long as the Soviet Union complies with such sublimits."

Administration sources said last week that there was no evidence of Soviet noncompliance with the sublimit. But Mr. Reagan is determined to proceed as a means of signaling his unhappiness with Soviet military activities.

IRAN: U.S. on Defensive

(Continued from Page 1)

contacts with Iran over 18 months, affirming his opposition to dealing with terrorists for the release of hostages and saying the White House had told him not to say anything about the operation.

The White House, in turn, denied on Friday that it had instructed Mr. Shultz to remain silent. Saturday, however, a State Department official countered by saying the White House had sent written instructions limiting all comment on the subject.

It now appears that at the same time Mr. Shultz was assuring the Arabs about the American policy of trying to keep arms from Iran, American agents had worked out a deal to send U.S. arms to Iran on a Danish ship by way of an Israeli middleman. That deal is presumed to have led to the release a week ago of David P. Jacobson, one of the American hostages in Lebanon.

The secret dealings with Iran also caused problems for the secretary of defense, Caspar W. Weinberger. On his recent trip around the world, he had raised the issue of the Gulf war in his discussion with Chinese leaders in Beijing, urging them to stop sending arms to Iran.

"I wonder what the Chinese think now," a Pentagon aide said. "I don't know what to think myself."

State Department officials said Mr. Shultz and Mr. Weinberger urged Mr. Reagan early this year to close a secret channel to Iran that was opened in July 1985 by Robert C. McFarlane, was Mr. Reagan's national security adviser until December 1985.

That channel, which had been opened at the suggestion of some Israeli businessmen with experience in Iran, had led to the secret shipment of American arms and spare parts to Iran, in exchange for which Tehran was to use its influence to win the release of American hostages held by a pro-Iranian group in Lebanon.

In July 1985 the Reverend Benjamin M. Weir, a Presbyterian minister, was released, and the White House interpreted this as directly attributable to the arms shipment to Iran through the Israelis.

According to administration officials, Mr. Shultz had argued that

Illness Report Unimportant, Khomeini Says

(The Associated Press)

NICOSIA — Iran's spiritual leader, Ayatollah Ruhollah Khomeini, said Sunday that reports of his deteriorating health were unimportant and that the Iranian revolutionary government would continue after his death.

Ayatollah Khomeini in a speech carried on Tehran radio, said: "Every day there are rumors that this and that has happened, that so and so has had a heart attack, that so and so is on his death bed. So let it be."

"Of course death comes to everyone and to me too," he said. "They should know not to rejoice. This is something that happens and you will see that, God willing, the Islamic republic will remain, whether I stay."

There have been persistent reports in recent weeks that Ayatollah Khomeini suffered one or two heart attacks, setting off a power struggle within the Iranian leadership.

paying ransom, in effect, to Iran contradicted the American anti-terrorism policy and undermined Washington's credibility in the Middle East and elsewhere.

Mr. Reagan agreed with the recommendation of Mr. Shultz and Mr. Weinberger and ordered the operation halted, the officials said.

In fact, on May 6 of this year, the United States issued a statement on terrorism that said, in part: "The United States government will make no concessions to terrorists. It will not pay ransoms, release prisoners, change its policies or agree to other acts that might encourage additional terrorism."

According to administration officials, Mr. Reagan was prevailed upon last June to change his mind by Vice Admiral John M. Purn-dexter, who replaced Mr. McFarlane as the national security adviser. Under a secret program, known only to the White House initially, arms shipments to Iran resumed in July. That led to the release that month of the Reverend Lawrence M. Jenco, a Roman Catholic priest, the officials said.

WORLDWIDE ENTERTAINMENT

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COSMOS: Sponge Theory

(Continued from Page 1)

concrete sponge," Mr. Gott said. "The point is that the inside and outside look the same."

To some theorists, the symmetry between clumps and voids is what gives sponge-like topology its appeal. They believe that the organization of galaxies began with chance submicroscopic fluctuations as the universe was born in the fireball of the Big Bang.

In effect, the modern universe "remembers" its earliest form. Fluctuations grow to larger and larger scales, amplified by gravity and always retaining something of their past.

To some theorists, however, the greatest strength of the sponge idea is not as a particular description of the universe's structure, but as a technique for using the new stream of data to distinguish among possibilities.

HOSTAGES: White House Bypassed CIA on Iran

(Continued from Page 1)

could apply sufficient pressure to secure the release of Americans held by the Islamic Jihad militants, who were demanding the release of guerrillas imprisoned in Kuwait.

In discussions over who should run the program, White House officials warned that the CIA would be legally required to tell the House and Senate intelligence committees about the operation, under congressional reforms adopted in the 1970s.

Some administration officials have been highly critical of what they contend is Congress's inability to keep a secret. White House officials believed that a clandestine plan to authorize shipment of arms to Iran would certainly be leaked to the news media because of congressional concern that such an operation would be perceived by U.S. allies as a hypocritical contradiction of Washington's public demand for an embargo on arms.

Consequently, sources said, the program was kept within the White House, with Mr. Casey in accord.

Israeli officials, who had maintained secret contacts with Iranian military and political figures, offered to open a negotiating channel for Washington. Mr. McFarlane and an assistant on the national security council staff, Lieutenant Colonel Oliver L. North, began meeting with Iranian officials in Europe and eventually Tehran.

The U.S. officials said they would not interfere with specific Israeli military shipments to Iran if those shipments led to release of American hostages. On Sept. 14, 1985, an unidentified cargo plane landed in Israel after flying out of Iran, according to new reports. That plane had carried military equipment, according to a source.

After shipments of military equipment resumed in mid-1986, an unmarked cargo plane was reported to have landed in Iran on July 4, according to members of the Iranian mullahs' opposition in the United States. On July 27, a second American hostage, the Reverend Lawrence M. Jenco, was released.

Iran's former president, Abolhasan Bani-Sadr, who now lives in Paris, said Wednesday on a U.S. television program that additional plane loads of military equipment arrived in Iran in August and September. On Nov. 2, a third American hostage, David P. Jacobson, was released in Beirut.

Sources familiar with the program said Friday that some news

accounts had exaggerated the amount of equipment Iran had received under the White House operation.

"There have been large arms shipments to Iran that were purchases from North Korea and China," a source said Friday.

He said the Iranians used the U.S.-Israeli channel to get "high priority" material that they could not get elsewhere. He said this included parts for its F-14 fighter aircraft, such as engine parts, landing gears, radar, electronics and "some ordnance."

The West German police say Mr. Hasani admitted that the Syrian government helped in the bombing, which investigators say targeted alleged Arab backers of the Palestine Liberation Organization leader, Yasser Arafat, who is at odds with Syria.

Foreign ministry officials from EC countries approved the package in meetings in Vienna Thursday and were expected to ratify it in London Monday, the sources said.

EC: Curbs on Syria Expected

(Continued from Page 1)

that the EC would reach a common position on sanctions against Syria sought by Britain.

Diplomatic sources in the Middle East said on Saturday that most of Britain's European allies had agreed to stop arms sales to Syria and tighten controls on Syrian diplomats.

Foreign ministry officials from EC countries approved the package in meetings in Vienna Thursday and were expected to ratify it in London Monday, the sources said.

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Thai Train Accident Kills 7

BANGKOK — A train pulling six locomotives from a repair depot crashed through barriers at the Bangkok central station because of brake failure Saturday, killing at least seven persons in the station.

INTERNATIONAL CLASSIFIED
(Continued From Back Page)

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A U.S. Debate: No-Vote Shares

FOR more than half a century, shareholders of companies traded on the New York Stock Exchange have been guaranteed one vote in corporate policy for every common share they owned. Now, however, the Big Board is proposing to loosen its "one-share, one-vote" rule — and some powerful investors are howling.

Harrison Goldin, who, as New York City's comptroller, oversees public pension funds totaling \$29 billion, condemned the proposal as "fundamentally destructive to the concept of public ownership." T. Boone Pickens, chairman of Mesa Petroleum and a celebrated corporate raider, has assailed it as "the ultimate in management entrenchment devices."

The Securities and Exchange Commission, aware of the fury, recently called for public hearings on the rule change. An SEC spokesperson said that two days of hearings would likely be held in December, but no precise date had been set.

Under the plan, approved by NYSE directors last July, a company could issue different classes of common stock with unequal voting rights as long as a majority of shareholders and independent directors approved. For example, a company might issue both "Class A" and "Class B" common, with the second holding greater voting power.

ALREADY, 22 NYSE-listed companies, including General Motors, have issued multiple-class common pending the outcome of the review. Some issued the stock as antitakeover devices while others have done so as part of acquisition tactics.

Whether the dual-common structure helps investors or hurts them is unclear. Even the NYSE admitted that it backed the plan "reluctantly." Big Board officials said the measure was mainly a competitive move to avoid losing listings to other exchanges that already allow dual-class common. The American Stock Exchange permits the stock under certain circumstances, while the over-the-counter market has no prohibitions at all.

The chief criticism of the proposal is that it would offer corporate managers a way to fight hostile takeovers at the expense of shareholders. Managers and other corporate insiders could issue non-voting shares in exchange for voting stock already outstanding, thus retaining control of their company without owning a majority of the shares.

"Although you might like management today, once you approve dual-class stock you have forfeited your chance to change management in the future," warned Jamie Heard, deputy director of the Washington-based Investor Responsibility Research Center.

Proponents of a dual-class system disagree. Shareholders of Coastal Corp. approved dual common in 1985 to keep the firm from being acquired itself while bidding for American Natural Resources. "In Coastal's case, it would have been a repudiation of shareholders' rights not to have allowed dual shares," asserted a company spokesman, Robert Wells.

HE explained that Coastal issued all shareholders some super-vote stock as a dividend. These shares were convertible into common, but not transferable to other parties. The acquisition of ANR was completed and since then, he said, the company's stock, allowing for splits, has appreciated 65 percent.

Some critics suspect that a company's stock price falls after adopting such antitakeover mechanisms. The office of the SEC's chief economist is studying whether this is true, and, according to a staffer, no conclusions have yet been reached.

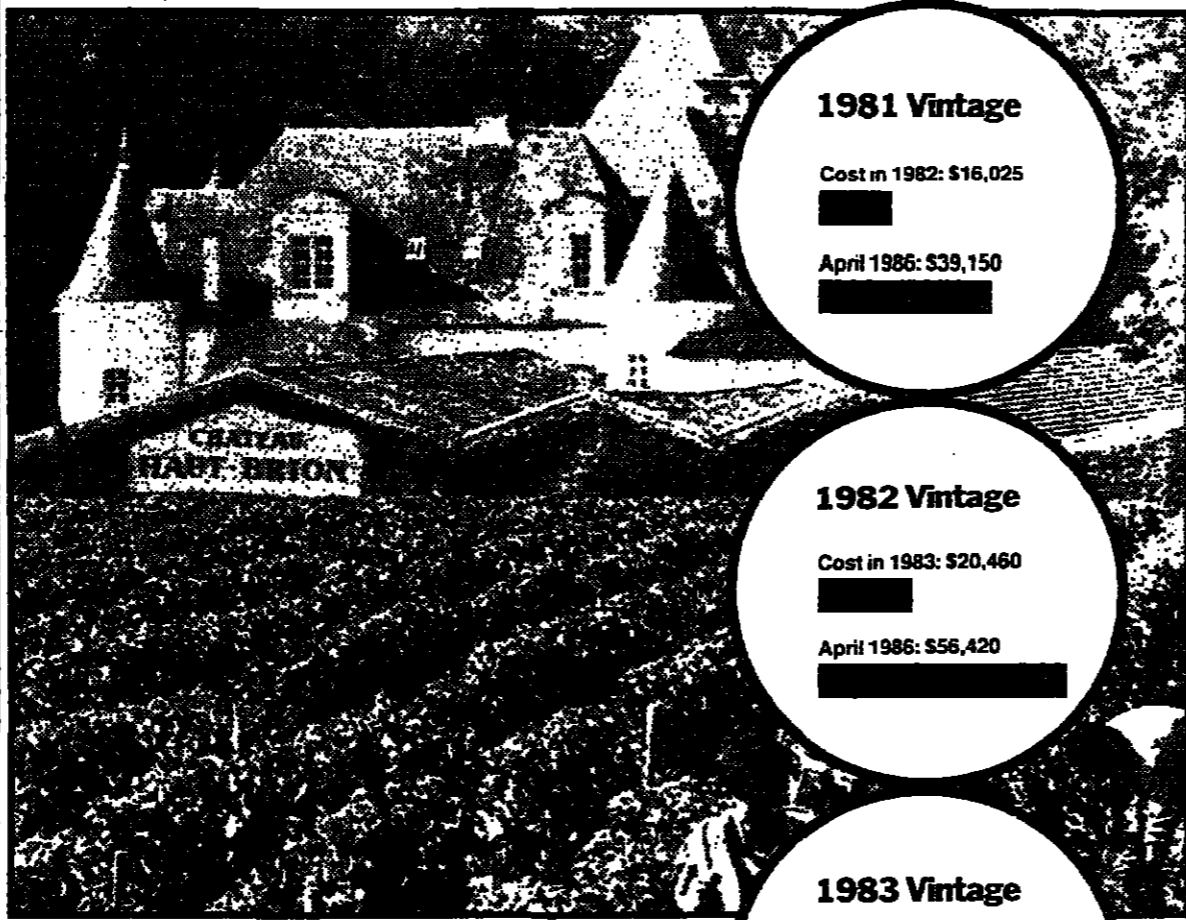
A University of Chicago Law School professor, Daniel Fischel, concluded in a study conducted for the National Association of Securities Dealers that there can be many "legitimate business reasons" for dual-class common, including the wish to keep control of a company within a family. Partly on the basis of that study, the NASD, which is the self-regulatory arm of the over-the-counter market, decided earlier this year to refrain from imposing restrictions.

Ultimately, experts say, the SEC will have to weigh the purported benefits of one-share, one-vote against the advantages derived from exchanges competing on "a level playing field." To David Cameron, executive director of the Pickens-founded United Shareholders Association, the answer is clear: "The basic tenant of shareholders' rights is one-share, one vote," he said. "If anything, other exchanges should be bringing their standards up."

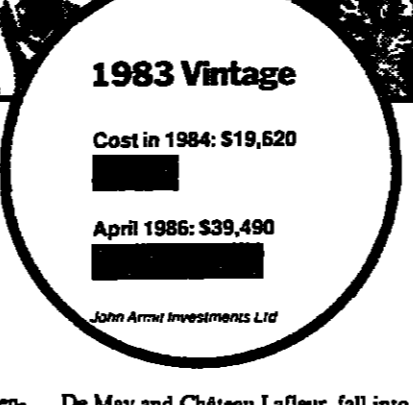
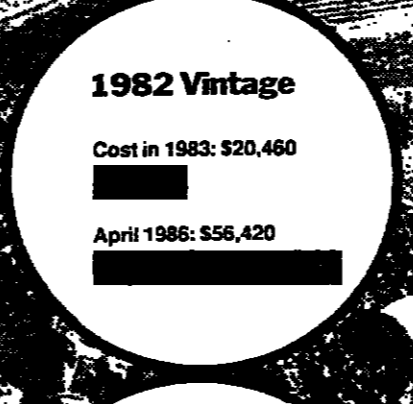
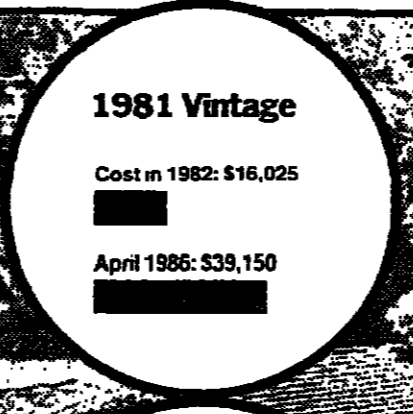
Philip J. Roosevelt

BOUNTIFUL RETURNS ON BORDEAUX

Change in dollars on typical investment in 100 cases of classed Bordeaux.



The Château Haut-Brion vineyards at harvest time.



John Armit Investments Ltd

Acquiring a Taste For Wine Investing

By Terry Trucco

WHEN John Armit talks about the model wine investor, his description sounds more like that of a careful portfolio manager — acquiring some vintages, selling others and reinvesting profits, always with an eye to market forces. It is hardly the casual pastime that one might imagine. Yet for Mr. Armit, who is president of John Armit Wine Investments Ltd., it is a strategy that pays off. Using such market savvy, he says that an investor who put £20,000 into top vintage 1970 Bordeaux 15 years ago now has a cellar worth more than £250,000.

Success stories like this have made wine investing high fashion in recent years, both with connoisseurs looking for a well-stocked cellar and with speculators eager for a fast buck. The statistics can be dazzling. A new record for an antique wine was reached last year at Christie's when Forbes Magazine paid \$105,000 (about \$148,000) for a bottle of Château Lafite 1787 believed to have first been ordered by Thomas Jefferson. A case of Hermitage La Chapelle 1961 fetched £1,700 at auction in March 1985.

In his new book "The Successful Investor," financial writer Robin Dunby's price index for vintage Bordeaux, made up of 25 top Bordeaux wines, stands 710 percent above its 1975 level. Even the downside can be fairly palatable. As one merchant observes, "If your investment is a disaster, at least you've got lots of wine to drink."

Although there is considerable concern about the health of the current market, wine investing remains an attractive vehicle for those who can af-

ford to dabble in such an unconventional commodity. But investors must remember to take a different approach than a connoisseur. "There's a difference between buying something today because it will get more expensive and buying for investment," says Mr. Armit.

Indeed, a fine wine is not necessarily a fine investment. Despite the improved quality of wines in various regions around the world, Bordeaux generally is the only wine considered worthy of investment. It has an elaborate classification system, enjoys worldwide popularity and improves with age — features that make for a strong secondary market. By contrast, wines from California, Italy and Spain have very shallow resale markets.

There are narrow but growing secondary markets for other French wines, such as red and white Burgundy, and for Champagne and port. But each has drawbacks as an investment. Champagne does not improve with age. Port is not very popular outside Britain and United States. And when it comes to Burgundy, experts say, there are too many small growers making wine of indifferent quality. Those who do make an exceptional wine price it too high to attract a sufficient number of investors, they say.

Even when buying Bordeaux, investors must be choosy. There are about 7,000 châteaux in the region, but only a few produce investment-grade wine. Traditionally, "first growth" wines produced by the five top châteaux — Lafite, Latour, Margaux, Mouton-Rothschild and Haut-Brion — have insured quality and high returns. But these growers also turn out between 20,000 and 30,000 cases a year.

Some experts favor smaller châteaux that produce from 2,000 to 3,000 cases. Fourteen, including Château Certan

De May and Château Lafleur, fall into this "second growth" category. Also receiving a great deal of attention are three other châteaux — Cheval Blanc, Ausone and Pétrus. "In addition to rarity value, the smaller châteaux can decide when to harvest, choosing the precise night when the grapes are right to pick" and harvesting them more quickly than can a larger operation, Mr. Armit says.

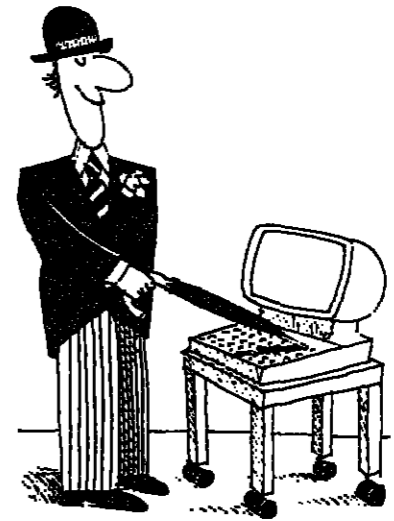
For an investor, the best time to buy a

Continued On Page 8

Reverberations Of Big Bang

The first two weeks engender caution among individuals.

By Peter Field



S. Redinger

IT HAS been only two weeks since Big Bang reverberated through the London Stock Exchange, yet change is apparent everywhere. Spreads between buying and selling prices have narrowed, trading volume is up and 80 percent of the dealing is going on off the exchange floor. Investors and traders alike are just beginning to discern the implications of this new way of doing business.

Still, chronic computer glitches have confused many observers, leaving even professionals still feeling their way around the new trading environment. It is clear that the sweeping deregulation that took place on Oct. 27 has done more than just eliminate the old distinction between brokers, who dealt directly with investors, and jobbers, who executed the trades on the market floor.

Baffled by the change, many individual investors are taking a cautious stance. Peter Harrison, a director of Phillips & Drew, says he has seen a number of private clients reduce their direct involvement in the market and turn instead to professional money managers on either an advisory or discretionary basis. As the problems are ironed out, the investor is bound to benefit from the increase in the amount of price information available and its almost instant dissemination to the investment community.

The new market's Stock Exchange Automated Quotation system, modeled after the computerized NASDAQ over-the-counter market in the United States, got off to a shaky start as demand for the price information service outstripped capacity. But it already has had an impact. "Prices are keener, despite the breakdown in communications," says Bryan Baughan, an executive of Hoare Govett.

Under the new system, stocks are grouped into four categories based on vol-

ume, and the amount of trading information varies accordingly on the SEAQ system. The 62 most active stocks fall into the alpha category. The next 500 are beta, while the least active are gamma and delta stocks. Foreign stocks are traded through SEAQ International, which has price information on 550 non-British issues, mainly South African and Australian stocks.

For alpha and beta stocks, market makers must display a firm "bid" and "offer," the buying and selling price, for a minimum of 1,000 shares. Trades in alpha stocks must be reported to SEAQ within five minutes so that details on transactions can be updated and displayed on the 8,000 computer screens scattered throughout the City. Information on beta stocks are published the following day.

Not surprisingly, there is little "real-time" information available on less active shares. For example, prices displayed for gamma stocks are only indicative. In theory, investors may want to shop around for a competitive price, but traders say that the gamma prices have been running very close to computer indications. And delta stocks, the least-active issues, are not even quoted on SEAQ. Instead, individual brokers are bringing buyers and sellers together.

The changes over the last couple of weeks go beyond mere technology, however. The market makers have taken over.

Continued On Page 8

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UPDATE ON GOLD

The Eagle's High-Flying Premium

By Cynthia Catterson

THREE weeks after the first gold coin to be minted by the United States in more than 50 years went on sale to the public, the U.S. Mint's presses at the West Point bullion depository still are laboring around the clock to keep up with demand. The initial batch of 538,000 ounces of Eagle coins sold out two days after they were introduced on Oct. 20, and the 151,000 ounces minted the second week were also gone within days.

"Ninety-nine percent of our calls in the last two weeks have been for the Eagle," says Alan Posenick, vice president of Manfra, Fordella & Brooks, a New York coin dealer. "I have no reason to believe next week is going to be any different." Adds Herman Strohmeier, who is handling sales of the coin for Commerzbank International in Frankfurt, "It is the first American gold bullion coin and to the average citizen the coin is a novelty."

Despite the enthusiastic reception, experts suggest that this may not be the opportune time for investors to stock up on Eagle coins. The investment appeal of gold coins is largely determined by the premium that they can fetch above the value of their gold content. While a slightly higher premium is not an unusual occurrence for newly issued coins, the unprecedented demand for the Eagle has pushed its premium significantly beyond its market competitors.

At Merrill Lynch, one of the 25 authorized primary dealers for the Eagle, the original 4.5-percent premium placed on the 1 ounce coin has now increased to 6 percent in the United States and from 4.5 to 5 percent in Europe. In contrast, the premium on the Canadian Maple Leaf, which has replaced the South African



The Associated Press

Donna Pope, director of the U.S. Mint, displays a pendant made from the American Eagle, the first U.S. gold in a half-century.

Continued On Page 10

Big Bang: The Market Makers Take Over

Continued From Page 7

These essentially are broker-dealers who continually trade among themselves on behalf of clients or for their own accounts. Theory has it that competition will produce the best price and the best execution, but regardless of the outcome it clearly is a more free-wheeling environment. Under the old system, jobbers established prices and executed trades only after receiving an order from a broker. Consequently, spreads were relatively wide.

There are 35 market makers registered with the exchange — a far cry from the half-a-dozen jobbers that dominated the market previously — and their presence already has been felt.

"There's no doubt that liquidity has increased absolutely enormously," said Richard Priestley, head of equity trading at Barclays de Zoete Wedd. Moreover, intra-day volatility is significantly higher as the market makers trade among themselves. Mr. Priestley estimates that half the activity represents dealing among market makers.

In general, the liquidity and, to a lesser extent, the volatility of a stock can be measured by the number of market makers that it attracts. Most market makers have clustered around the most appealing issues, the big capitalized stocks that draw most of the trading activity and big commissions.

For example, ICI has 21 market makers, more than any other stock quoted on the exchange. Barring news that affects the market, the sheer number of competing market makers holds down volatility and any one deal is unlikely to prompt large price movements. Last Thursday, the best bid for a block of 25,000 shares of ICI was £10.80 (\$15.40). The best offer was £10.82.

Far fewer dealers care to make markets in small company stocks. Not only will investors have fewer sources to buy and sell their stocks, but some experts warn that these issues are likely to move dramatically on a single trade, especially if the trading volume is low. Indeed, the spread between the bid and offered prices generally is larger on such issues.

Such liquidity problems are not unusual in a market-making system where broker-dealers would rather not expend energy on shares that generate little interest. NASDAQ has suffered from similar crunches throughout its existence.

Class System For Shares

Alpha

The 60 or so most actively traded shares. Market makers, which number about 10, display prices on the Stock Exchange Automated Quotation System (SEAO) at which they are bound to deal. Trading details are disseminated immediately.

Beta

The second rank of 500 shares based on trading activity. Dealing prices are firm. Betas have four or more market makers.

Gamma

Still less active shares that will have at least two market makers. Many shares on the Unlisted Securities Market and the Third Market will fall into this category.

Delta

Seldomly traded shares that are not carried on SEAO. Investors will trade through dealers who will match up buyers and sellers.



alpha stocks, and a few offer a restricted list of some 25 stocks in which they will deal for £1 million. If an institution wants to deal in a larger size, a new price can be negotiated. If not, the market maker simply declines the order.

A number of brokers have expressed concern that if a market maker declines a large sell order, the broker-dealer could sell the stock short in anticipation that the seller will come into the market at some stage through another firm. When the share price weakens, short-sellers would profit. "If you talk directly to a market maker and he doesn't want to deal," says an asset manager, "you've got to go elsewhere and you've alerted the market."

A number of observers were predicting higher transaction costs for individual investors before Big Bang. There was some fear that deregulation would drive down commission costs for institutional investors, forcing brokers to raise fees for private clients. But while commissions on big trades by institutions have dropped by 40 percent — they now average 0.2 percent — costs have not risen for individual investors. "Most brokers have not changed the commission scales for private clients," observes David Cohen, a broker with Chase Manhattan Securities.

The standard 1.65 percent of pre-Big Bang days still applies, with reductions for large orders. Discount brokers are charging from 1 percent to 1.25 percent. Some firms are charging clients annual fees and no commission; others are applying a sliding fee scale that can be offset against commission charges.

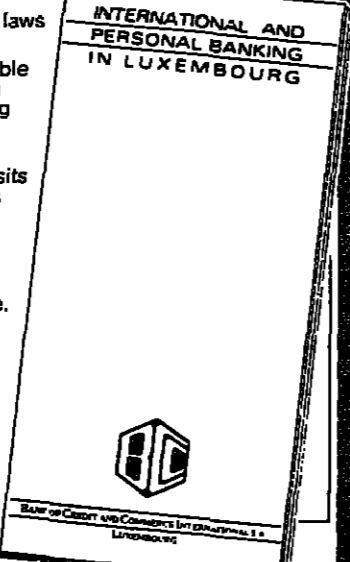
Mr. Cohen of Chase says that individuals are finding it desirable to deal through their customary broker, trusting in the firm to get the best execution from a market maker as they did previously with a jobber. But firms acknowledge that many of their private clients are suspicious of the new trading system. And since price information is being recorded minute by minute, there has been a lot of room for argument about whether a broker did find the best deal possible.

Indeed, the concept of best execution is being treated with some skepticism in the investment community since individual deals depend so much on the size of the transaction and the price sensitivity of the stock. Says one trader, "Best endeavor is the principle we're working on."

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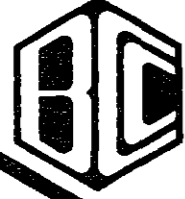
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Secondary Markets in First Growth Wines

Continued From Page 7

wine is as soon as possible after it goes on the market. Statistics show that the earlier a wine is purchased, the higher the rate of return will be if it proves to be a good vintage. Most investors purchase wine futures — contracts that cover the purchase of wine for future delivery. The contract price is the price of the wine when it first is offered for sale by wine brokers, usually six months after the harvest and two years before it is ready to leave the winery cellar.

"You have to make your move at the opening gun," says Robert Parker Jr., publisher of The Wine

Advocate, a Parkton, Maryland, newsletter that tracks the wine industry. In general, experts say that investors should acquire from 5 to 10 cases. Mr. Armit's clients are required to put up a minimum of \$10,000.

Wine is made in September and October, but is unmarketable until the late winter because of fermentation. As a result, the pricing generally does not begin until January, after the châteaux have blended their best barrels and invited members of the trade to taste the new wine.

By March most of châteaux should have declared an "opening futures price," the base price. The time-

table is never certain, however, since growers are notorious for looking over their shoulders at the competition's pricing. For example, some 1983 prices were not finalized until July of 1984.

Once prices are declared, wine brokers buy the wine in the barrel — *en primeur* — and then offer futures to their clients in the spring and early summer. At this point an investor must decide whether to buy even though most professionals have yet to evaluate the vintage. "You can't be faint-hearted," says Mr. Parker. "You have to jump in."

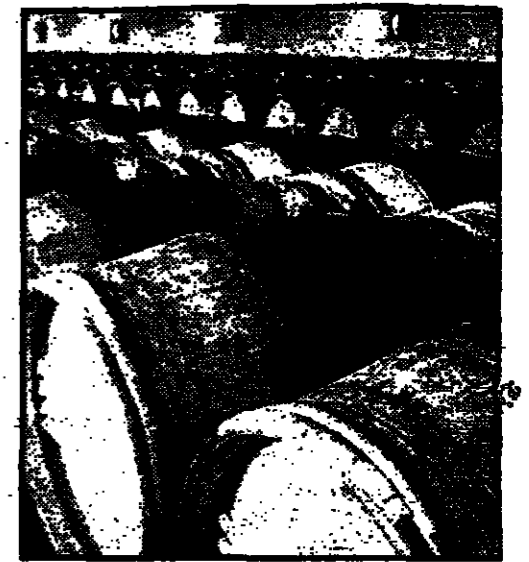
For the most part, the 1985 vintage has sold out, although prices dissuaded some investors from early purchases. As for 1986, there already is a great deal of speculation about the quality of the vintage. The 1986 crop is large and some venturesome experts say that it looks good. It is too early to tell how good. This year's long hot summer in the Bordeaux region was a boon, but mid-September storms diluted the grapes a bit.

Investors generally do not take delivery of the wine, leaving it with their merchant or the chateau until it is time to sell. Those who actually receive their wine must have a good — and usually costly — storage facility to insure that the wines mature properly and retain their quality.

Ideally, experts say that an investor should wait at least four years before selling an *en primeur* wine. But the rule sometimes bends. Investors who bought the 1982 vintage were selling it by the spring of 1985 as the pound declined on currency markets.

Most investors sell their wine through their merchant or at auction. Some have little choice. In most states in the United States, for example, it is illegal to sell wine without a license. But transaction costs can be high. Some experts reckon that costs related to buying and selling can eat up more than 20 percent of the return. The two big auction houses, Sotheby's and Christie's, take a 12.5-percent sales commission. By contrast, Mr. Armit charges 5 percent.

Investors should keep in mind that this is an uncertain time for the wine market. Prices remain high despite a generous supply and diminished demand due to the weak pound and dollar. Some



Casks of Bordeaux at Château Mouton-Rothschild.

experts say that the current market for Bordeaux is vulnerable. "There is simply a glut of fine wine," Mr. Parker says.

Prices rose with the fine 1981 vintage, gained significant ground with 1982's spectacular wines and soared again in 1983. But the market failed to correct itself in 1984 despite what experts consider a disastrous vintage in part because growers were reluctant to lower prices.

Last year's wine is considered good, but experts still believe that it was too pricey.

No one foresees the kind of price crash that hit the market in 1972. Top Bordeaux wines are more widely distributed now. The world economy is stronger. And wine watchers believe the potential for large-scale dumping is remote, thanks in part to a large number of small British wine investing companies launched within the last few years under a government tax shelter scheme.



William T. Armit, First Vice President, Securities and Investments Division, and Robert Parker Jr., Publisher of The Wine Advocate, are seen in a meeting.

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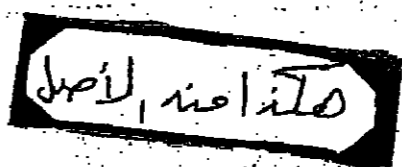
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BOURSES

Riding a New Wave in Labor Practices

Some firms in Europe find a bonanza in temporary help

By Lynne Curry

FOUR years ago, Blue Arrow PLC was a small, private employment agency in Britain with annual revenue of about \$4.8 million (\$6.8 million). By 1985, it was a publicly traded international company with revenue of \$34.1 billion.

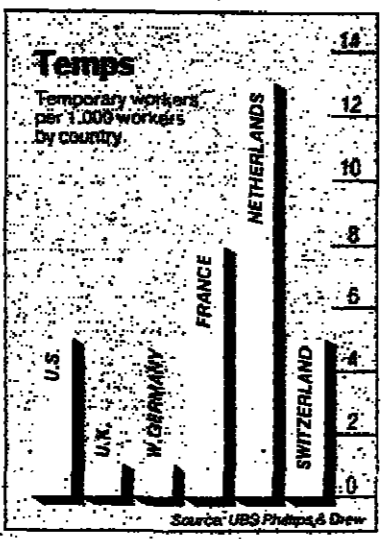
Tony Berry, the company's ebullient chairman and chief executive officer, has a simple explanation for the spectacular growth: "We identified a surge in the temporary employment business, we had a fairly aggressive acquisition policy, and we changed the way the company is run."

But Blue Arrow is not the only company to cash in on the temporary employment boom. Across Europe, a handful of similar companies have taken advantage of changing social trends and liberalized corporate employment practices. Buoyed by high growth rates, these companies have seen their share prices soar to lofty multiples of their annual earnings. Though some of these shares may now be overpriced, many analysts still see long-term gains for the companies.

"They are riding a boom in the industry that may not stop," says Roger Hardman, an analyst at James Capel & Co. Adds David Plant, an analyst at Morgan Stanley, "They can grow 15-20 percent. This kind of earnings growth is difficult to find nowadays, and these companies look like they are capable of producing it."

Besides Blue Arrow, investor interest in this sector has centered on Adia SA, a Swiss company that also has big U.S. presence, the French firm Ecco Travail Temporaire and Content Utzembureau in Holland. Their rapid growth followed the recession in the early 1980s, when companies laid off and dismissed permanent staff to keep costs down.

As the recovery came, agencies that provided temporary assistance were well



placed to capitalize on the corporate reluctance to hire new permanent personnel. "If there is an upturn in demand and companies take on full-time labor, this can be a great problem if (the upswing) doesn't continue," notes Mr. Hardman of James Capel.

"Temps," ranging from secretarial staff and word-processor specialists to drivers, welders, and electrical engineers, have provided the greater flexibility many companies have sought, but without the overheads associated with permanent employees.

Managers in many European companies, some of them state-owned, now depend on a continuing stream of temporary workers to handle both basic clerical jobs and some fairly sophisticated duties. This strategy has been particularly attractive for companies in France and the Netherlands, where stringent labor legislation has made it difficult and expensive to lay off workers. European hiring and firing regulations generally are much tougher than those in the United States.

The rise in unemployment in recent years has also worked to the advantage of these agencies by changing the attitudes of workers. With permanent jobs in scarce supply, they are more willing to take part-time work rather than going without any work at all. In exchange for what is often better-than-average pay, "temps" forego the legal cushion, the pension schemes and other benefits protecting permanent employees. "If a job is there, people are often

sacrificing the legal niceties in return for more money," says Mr. Hardman.

Changing demographics also played a role. With the entry of women into the workforce, more individuals are available for short-term employment and there is a greater pool of qualified workers to draw on. Temporary employment now constitutes an estimated 0.5 percent of total worldwide employment, but is expected to account for more than 1 percent over the next decade, according to Mr. Plant of Morgan Stanley.

As with all high-priced growth stocks, investors in these companies are taking on some risks. One issue dividing analysts is how these companies would fare should there be an economic downturn. Some believe that employment agencies would be the first to suffer, as corporations are likely to lay off temporary personnel before they fire permanent staff.

Others argue that while the agencies are not immune to an economic slowdown, in the initial phase of a recession, corporations hesitate to take on more permanent employees and will continue using "temps." In the second stage, companies will simply live with their existing employees and refrain from hiring anyone.

So far, though, economic conditions have encouraged vigorous expansion programs at most of these companies. Blue Arrow leaped into the front ranks of employment companies after its acquisition of Brook Street Bureau PLC and the Reliance Service Bureau Ltd. in 1985, making it Britain's largest employment agency. Its profits are expected to rise from £2.2 million in 1985 to an £8.5 million in the fiscal year ending October 1986, according to Mr. Hardman.

Earnings per share were 14.9 pence in 1985 and are expected to be about 23 pence this year and 34 pence in 1987. At a current share price of about 380 pence, that hardly makes it a cheap stock. But the analysts note that Blue Arrow is growing at a faster rate than other companies in its field.

An aggressive acquisition policy in the United States, where it already has made two purchases, has attracted a lot of attention. By 1988, Blue Arrow's U.S. presence will outweigh its British operations, according to Mr. Berry. It is negotiating to acquire a large New York-based temporary help company.

Adia, the largest agency in Europe in terms of revenue, also has turned in an

exceptional performance. A globally diversified company, the Swiss-based company is the majority shareholder of its U.S. affiliate, Adia Services Inc. The United States accounts for more than 40 percent of the company's sales.

THE price of Adia's Swiss bearer shares, which can be held by foreigners, has risen nearly 70 percent so far this year to about 7,600 Swiss francs (\$4,418). Its earnings per share were 255 Swiss francs in 1985 and are expected to be an estimated 305 Swiss francs this year and 355 in 1987.

Like Blue Arrow, Adia's expansion plans convince many analysts that it remains an attractive growth stock even at such a high share price.

The French company Ecco Travail Temporaire has taken advantage of a recent relaxation in labor legislation concerning temporary personnel services and has diversified into banking and surveillance activities. Its share price has virtually doubled in 1986, to about 3,010 French francs (\$446) at the end of October.

Ecco's shares are selling at a price-earnings multiple of about 21, based on projections for 1986, according to Meleudes SA, a French stockbrokerage. Although it has outperformed the stock market in the last 18 months, analysts noted this is high compared with the average P-E of 15 to 16 for French stocks.

"All the good news of the company is already in the price," asserts Koernraad Foulon, deputy general manager of Amex Asset Management in Brussels. "It's a good return on your investment, but I wouldn't buy it now. I would wait for an opportunity and then step in."

With the strict labor laws in the Netherlands, Content Utzembureau has been able to capitalize on a growing corporate need for temporary personnel. It was floated earlier this year on the smaller Dutch "parallel" market that has fewer quotation restrictions than the larger main market.

Currently trading at about 36 guilders (\$15.45), its earnings per share are projected at 2 guilders in fiscal 1986 and 2.5 guilders in 1987, according to ABN Bank in Amsterdam. Content is similarly seen as somewhat overpriced at the moment. The shares of this modestly sized company are selling at about 18 times earnings compared with an average P-E ratio of 12-13 in the Dutch market.

Putting a Floor Under Risks

By Philip J. Roosevelt

LAST May, an investor in Nashua, New Hampshire, hoping to cash in on reports of a takeover bid for Viacom International, bought a block of the company's stock for \$72 a share. Instead, the stock "dived" within a day, recalls his broker, Georgeann Over of Shearson Lehman Brothers, trading as low as \$65.

Fortunately for the investor, the shares were sold just hours after they were purchased. The investor and Ms. Over had agreed in advance to place a "stop-loss" order, instructing the New York Stock Exchange specialist handling Viacom to sell the shares if the price dropped to \$68 or lower. The shares fetched \$67.375.

"We had decided from the outset that we didn't want to take a significant loss," explained Ms. Over. "Without the stop, one of us would have had to sit there all day just watching the stock."

Professionals say that the stop-loss order can be a trusted friend for investors, not only for limiting the downside risk of speculative plays but for protecting paper profits in today's volatile, mature market. Some go so far as to say that you should place stops whenever possible, if only as a matter of self-discipline.

"It's not going to be perfect, but it will avert big disasters," says Robert Norook, president of Investor's Analysis and editor of The

'It's better not to tinker with the stop.'

As an investor, a widely followed newsletter.

You can place a stop order at price of your choice for any stock traded on a major exchange. There is no formal mechanism for handling stops in the over-the-counter market, but Mr. Norook notes that some OTC brokers will attempt to carry out stop targets for their clients. Promises, however, are rare.

The chief danger of stops is that the stock may dip below the stop level only to rally again soon after, resulting in a missed opportunity for gains. So setting an appropriate stop price is critical.

Experts generally set stops anywhere from 10 to 15 percent below a stock's current market value. The exact level, they say, depends on the stock's volatility, with lower stops needed to accommodate more volatile issues.

As the stock rises, the stop should be adjusted upward, but care should be taken not to raise it too far or too often. "It's better not to tinker with the stop—win, loose or draw," says Philip Waxelbaum, a vice president at Prudential-Bache Securities. "If you adhere to the discipline, it will work over the long run."

It is important to take into ac-

count the stock's past performance in setting a stop. Mr. Norook, for example, often sets stops just below what he discerns as the stock's "typical low" from the past few months, reasoning that the stock is likely to rebound.

Martin Zweig, editor of The Zweig Forecast, another popular newsletter, also looks at price charts when setting a stop, often picking a point just below the stock's most recent low. But, he warns, "It's more an art than a science. I just try to set one that feels right, and sometimes I'm wrong."

Another caveat: exchange officials can cancel stop orders if they fear that a give stock may drop sharply. The most recent instance of this, according to a New York Stock Exchange spokesman, was last December when Pennzoil's lawsuit against Texaco prompted the exchange to cancel stop orders on both companies.

The American Stock Exchange accepts stop-loss orders on its stocks, but requires that you also place a limit order at the stop price. With a limit order, if the stock never trades at your exact stop level on the way down, the sale will not be triggered.

Still worse, you will be cashed out if the stock does hit the stop on a subsequent rebound, said Simon Krauthamer, an Amex assistant vice president. He added, however, that the Amex has proposed to bring its rule in line with that of the NYSE, and expects approval in about two months from the Securities and Exchange Commission.

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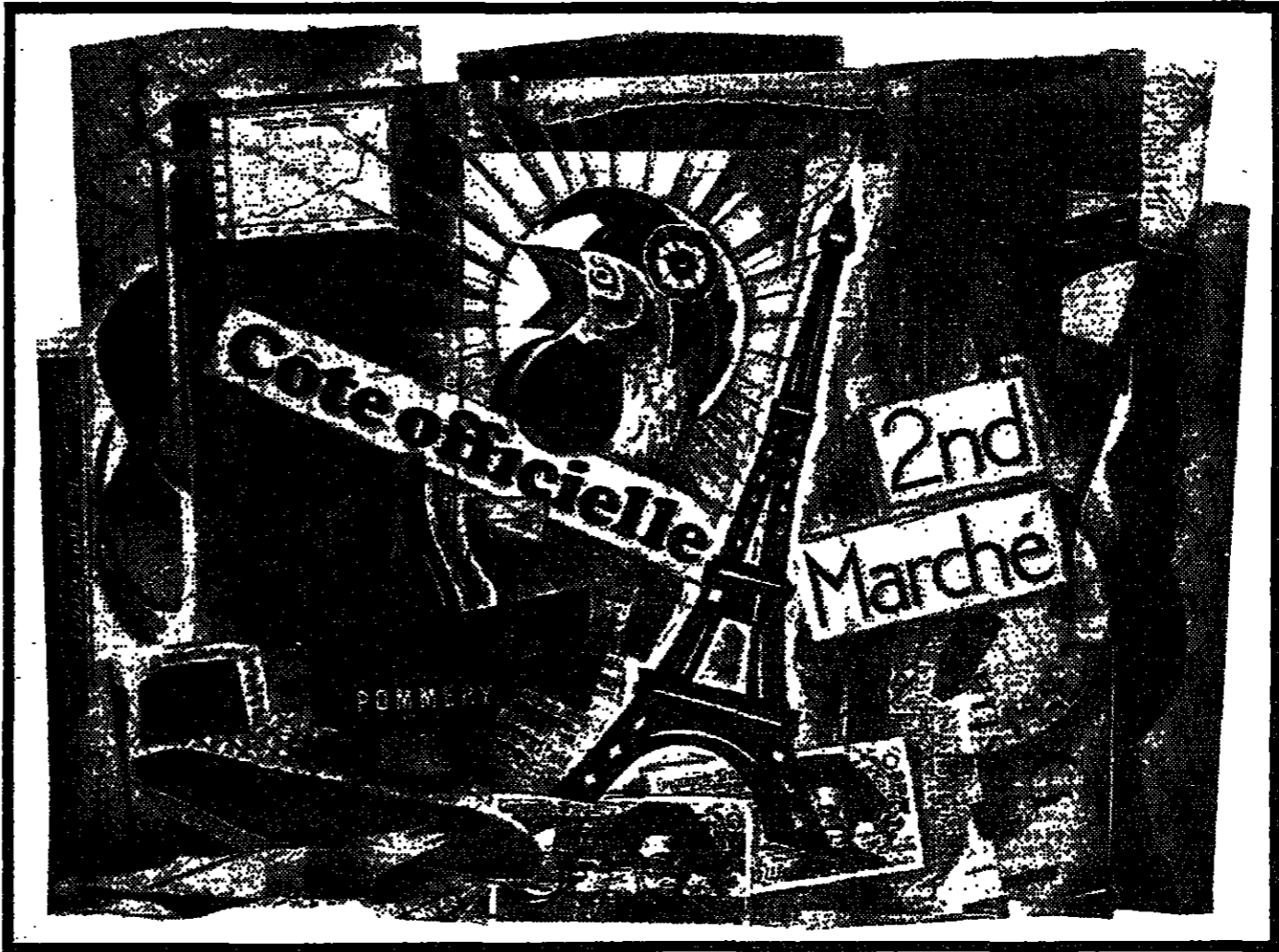
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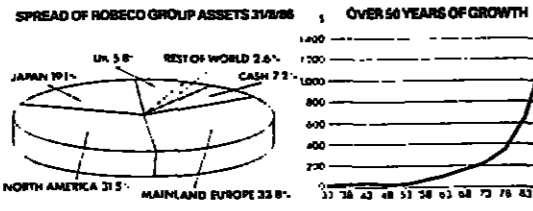
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UPDATE



The Eagle Commands A Soaring Premium

Continued From Page 7
Kruggerand as the top-selling coin in the world, is no more than 3.5 percent.

Premiums on smaller coins, which generally are more expensive relative to their gold content, are even steeper. Eagles containing a tenth, a quarter and a half ounce of gold — so far the most popular — are selling at a premium of from 5 percent to 30 percent above the value of their gold content in the United States. In Europe, the premium is as much as 15 percent.

"If someone has a strong interest in gold and wants the U.S. Eagle, they might consider buying a Maple Leaf now and then swapping it later when the premium for Eagles comes down," says Mr. Strohmeyer.

Mr. Posnick voices a similar view. "Investors should not be buying the Eagle right now unless they believe the short term price of gold is going to explode." Since the Eagle's introduction the price of gold has dropped by more than \$17.75 an ounce to \$408.50.

It is unclear what long-term effects the Eagle will have on the gold coin market. "We will continue to mint the Eagle coin as long as there is a demand," says Donna Pope, director of the U.S. Mint. But some experts do not see demand easing until after the new year since 1986 coins will have a certain historic appeal to collectors.

So far the only noticeable impact has been a decision by officials in Luxembourg to postpone plans to issue their Golden Lion coin until some time in 1987 after the publicity surrounding the Eagle has subsided. But two other new gold coins, the Australian Nugget and the Japanese Hirohito coin have begun to circulate in limited quantities.

Neal McGarity, marketing manager for metal products at Merrill Lynch, said that the only negative reaction felt by the Maple Leaf so far is that "for the last month it has been on the back burner of people's mind."

Charles Unger, vice president for precious metals at Bank Leu Ltd. in Zurich agrees. "It's too early to determine how much of an impact the Eagle will have on the Maple Leaf's market share," he says. "It will have some effect, but the Eagle premiums have to become more competitive."

As for other gold bullion coins on the market, some observers believe that the gap left in the market when investors soured on the Kruggerand, which has been selling at virtually no premium.

"The interest of the private investor into the Kruggerand has diminished tremendously," Mr. Strohmeyer notes. "I'm convinced former Kruggerand investors will now buy the gold Eagle."

For those interested in an Eagle, but who do not want to pay the price and premiums of the gold coin, the U.S. Mint initiated the second phase of the Eagle program in San Francisco two weeks ago when they struck the first U.S. silver bullion coin, the Silver Eagle. It will go on sale Nov. 24.

The U.S. Mint expects the silver bullion coins to be as well received as their golden counterparts. Those dealing with the silver coin are equally as confident that there will be a Silver Eagle market niche.

"With the silver coins selling for less than \$10, we will be able to meet another level of investors," Mr. Strohmeyer says. "People who are not prepared to meet the price of gold but want to invest in an Eagle coin can afford the price of silver."

STRATEGY

Enthusiasm Wanes for ECU Paper

THE whole may not be bigger — or better — than the sum of its parts in the eyes of bond investors these days. After enjoying a wide following in the Euro-market in the first half of the year, the European currency unit has fallen on hard times as interest in new issues diminished in the European Community's composite currency has dropped off sharply since the summer.

In the last few months, borrowers have sharply curtailed use of the ECU. In the third quarter, the volume of new borrowing was 1 billion ECUs (about \$990 million), its lowest level in two years, according to the Organization for Economic Co-operation and Development.

"A lot of customers are on the sidelines," says Coe Bylones, manager of the new issues department at Algemeene Bank Nederland in Amsterdam. "People certainly aren't queuing up for ECUs."

Lower yields are partly to blame. As interest rates throughout the EC have dropped, the net effect has been to significantly lower coupons on ECU instruments even though rates remain relatively high in certain countries.

Brendan Brown, chief international economist at County Bank Ltd. in London, says that ECU bonds just are not attractive enough when compared with issues in other European currencies. Yields on 7-year ECU bonds, he says, have slipped below 8 percent.

By contrast, yields on Euro-franc bonds, which are becoming increasingly popular as the French government liberalizes capital markets, remain above 8 percent.

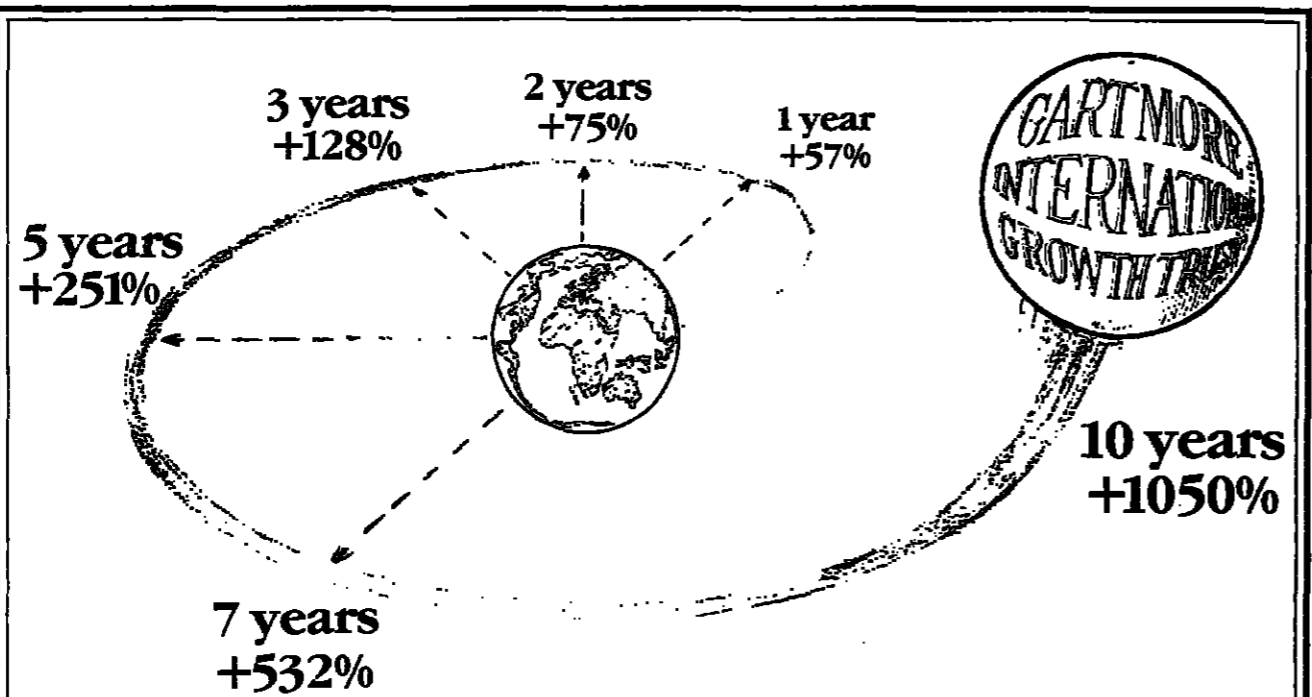
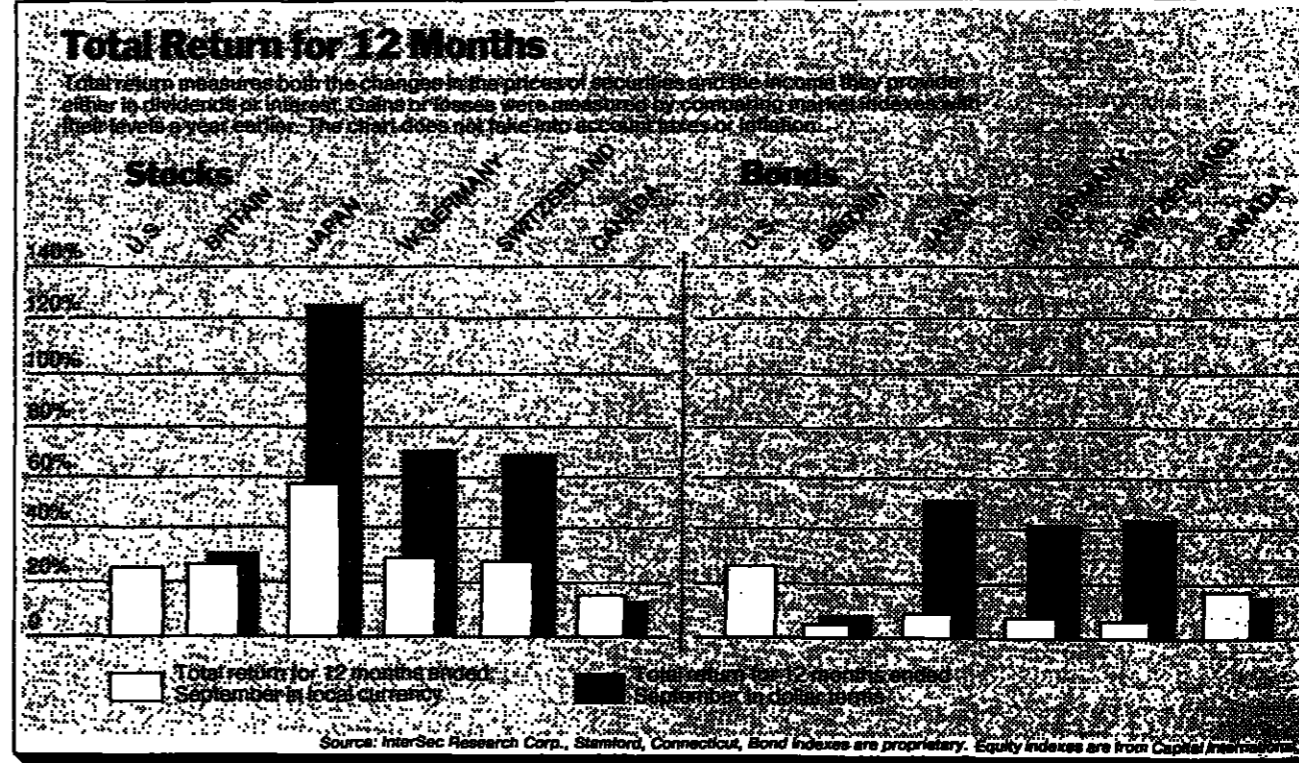
"The main interest for ECU bonds is coming from Japan right now," Mr. Brown says. "Europeans are clearly unenthusiastic."

Concern about the health of the ECU is another factor dissuading investors. Although the ECU moved higher in tandem with European currencies as the dollar dropped, currency markets in the first half, its performance has lagged in recent months because of the sterling component. As a result, the currency diversification that ECU meant to investors is not as appealing as it once was.

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in October.

GAINERS			LOSERS		
	Percent Gain	Price Oct. 31		Percent Loss	Price Oct. 31
New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars					
Transworld Corp.	65	41.50	Unirode Corp.	26	10.88
Purilator Courier	62	26.75	MCorp	25	13.75
Hazletine Corp.	52	29.88	Jewellor	24	12.00
Lear Siegler	52	85.75	Far West Financial	20	11.75
Planning Research Corp.	50	31.00	Electrospace Systems	17	14.75
Hayes-Albion Corp.	47	14.50	Compugraphic Corp.	16	18.83
Becor Western	44	14.75	Fairchild Industries	16	11.25
CPC International	43	83.13	Kysor Industrial	16	20.25
BankAmerica Corp.	43	15.50	Central Hudson G & E	15	31.25
American Bakeries Corp.	41	43.75	Sea Containers	15	14.25
American Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
O'Brien Energy Sys.	129	19.50	Alfin Fragrances	31	15.88
Magnet Bank	82	14.13	Camco	22	12.50
Gulf	36	13.63	Ionic	21	14.00
Lehigh Press	32	41.00	Excel Industries	19	11.53
Verit Industries	29	12.75	Hasbro	17	22.38
Over the Counter:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
Balchem Corp. Class B	101	17.38	Universal Health Svcs. B	39	10.00
Gonim Corp.	82	12.75	National Bancshares (Texas)	24	15.38
Bonville Pacific	79	10.75	Mac Dermid	22	19.00
Interand Corp.	70	11.50	Certified Colateral	22	10.00
Powertec	53	15.25	REFACT Technology	21	11.25
London Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in pence.					
British Com. Shipping	47	327	Electrocomponents	12	356
Mercury Int'l	32	370	Dawson International	10	217
Sears Holding	23	136	Dee Corporation	9	211
Harrisons & Crosfield	21	452	Hambros	8	218
Metal Box	20	190	Lax Services	7	292
Pilkington Brothers	20	517	Lucas Industries	6	480
Scottish & Newcastle	20	220	Argyll Group	6	307
Grioli	20	144	Costain Group	5	481
Kleinwort Benson	19	541	Redland	5	397
Hammerson Property	16	425			
Tokyo Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen.					
Yokogawa Hokushin	29	1,300	Nippon Kokan	36	216
Kyushu Matsushita	28	3,130	Ishikawajima-Harima	33	421
Daifuku	25	765	Mitsubishi Heavy	32	433
Ricoh	25	955	Daiwa Securities	30	1,600
Matsushita Commun.	22	3,650	Kawasaki Steel	30	180
Fanuc	21	6,250	Mitsubishi Corp.	27	436
Kuraray	21	1,880	Mitsubishi Electric	27	1,030
Kureha Chemical	21	1,110	Seibu Railway	26	3,550
Tokyo Electric	20	1,190	Toshiba Corp.	26	614
Pioneer Electronic	20	2,220	Tokyu Corp.	26	1,010



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*All figures to 31 October 1986. Source: Money Management. Base offer to offer. Income reinvested.

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Selling Units: Units may be sold back to the Managers at not less than the minimum bid price on any trading day. A charge for the proceeds will normally be levied by the Managers, which will vary according to the period of the unit's tenure and other factors. The price of units and this will be quoted in certain 1000 unit lots or multiples thereof can be obtained by contacting the Managers.

The offer price of units on 31st October 1986 was 485.0p. As the Trust's main aim is growth, the estimated current gross value is less — a modest 10%. Remember that the price of units and the income from them can go down as well as up.

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BOURSES

Sizing Up a Bet on the Oil-Tanker Market

By Alex Barnum

A LARGE map of the world dominates the Manhattan office of James S. Tisch, executive vice president of Loews Corp., the \$6.7-billion entertainment and real estate conglomerate. On the map are seven yellow plastic markers bearing the names: Stata, Paradise, Orpheum, Capitol, Paramount, Embassy and Grand. American movers probably would recognize the names of seven of the Loews chain's famous old theaters. But the markers actually represent the location of seven oil tankers that Loews has acquired over the past three years and retained after the theaters.

Under the stewardship of James Tisch's father, Laurence A. Tisch, whose wily investing recently earned him a 25-percent stake in CBS Inc. and the job of acting chief executive officer, Loews entered the tanker business in the same way it got into hotels, entertainment, tobacco, insurance and watches. It bought just when everybody else seemed to be selling.

Now, Loews wants to sell a third of its oil tanker subsidiary, Majestic Shipping, to the public, casting in on what analysts agree has been a handsome return.

The big question for potential investors in Majestic is whether the substantial returns will continue. Loews and its bankers promote the offer as an unusual way for investors to bet on the shipping industry, but the market has been wary. A lot depends on the outlook for oil prices and the volatile movement of freight rates.

A bout of stock market weakness already caused a postponement of the offer, in October. Investors were unwilling to pay the \$17 to \$20 a share that Loews wanted, and the company refused to let the price drop below \$17 a share, as the offering's under-

writers, Morgan Stanley & Co. and Merrill Lynch, had suggested, investment banking sources say. Loews says that it still plans to proceed with the offer of 3 million shares — 700,000 of which will be sold in Europe — when market conditions are right.

"The investment community doesn't look superciliously at it because of who owns the assets," says Jeffrey B. Stone, shipping analyst for Wertheim & Co. "But I think the investment community is unwilling to pay the price, given the volatility and the current depressed condition in the near-term shipping market."

Few would argue that the shipping industry is free from major risks. Disastrous overbuilding of tankers accompanied the dramatic rise in freight rates in the early-1970s. Then came a collapse in demand for Gulf crude oil after the 1974 price rise, pushing the industry into a 13-year recession. The story since has been one of spectacular bankruptcies, record tanker scrapings and an increasing number of idle ships.

But there are signs of improvement. When the Tischs began buying tankers in 1983, "people in this industry did not have a shred of optimism left," said Peter Klopfer, a senior partner of LQM Associates Corp., the tanker brokerage that sold Loews its ships. Now, he said, "there are people beginning to take those same ships off their hands for three times what they paid for them."

Even so, analysts are hardly united on whether the industry is headed for a full-scale recovery. "We saw the bottom last year," asserts Sally H. Smith, a shipping analyst with the brokerage firm of Alex. Brown & Sons Inc. in Baltimore. "It was the end of a 12-year down cycle and now we're on the way up, but the risk is you never go straight up or straight down."

The Majestic prospectus outlines the reasons for optimism about the industry. It argues that crude oil prices are bound to firm and there are signs that the number of surplus ships has dropped dramatically. With that rationale, Loews reactivated three tank-

ers in July and another in October and has since won contracts on the spot market, taking advantage of the surge in freight rates. The 315,700-ton Orpheum, for example, recently delivered a shipment to a port off the coast of Louisiana for \$800,000 and two other tankers recently won contracts from Iran, company sources said.

Despite these signals, some analysts project that a full turnaround in the market will not occur until 1990 and that the market is likely to get worse before it gets better. Indeed, a substantial glut of capacity still exists. As of May 1986, according to Arthur McKenzie, director of the Tanker Advisory Center Inc., the supply of tankers was 258 million tons and the demand only totaled 183 million tons, producing a surplus of 75 million tons.

Mr. Klopfer sees a further shakeout if Gulf crude production remains where it is now or goes down. The weaker companies will have to scrap more ships in that case, he says. "Then the guy with the most money at the table is going to win, unless he bets too heavily on his own assets," he adds.

Even with that scenario, boosters of Majestic argue that it has the profile of a likely survivor. Majestic bought its ships at average cost of \$7 million, not much more than scrap value. In addition, the company plans to use a portion of the proceeds from the stock offering to cover operating costs and working capital and to erase the \$15-million debt that it owes banks for the purchase of the Paramount and the costs of activating some laid-up vessels.

Stock prices of other publicly owned shipping companies that have weathered the industry's turbulence have done well in the last year. Stock prices for Overseas Shipholding Group Inc. have increased by 22.8 percent since December and those of OMI Corp. by 73.7 percent.

But both companies are much larger operations and are far more diversified. Overseas Shipholding, for example, has 78 vessels and only two of them are in the spot market. The 33-year-old company has a

conservative strategy of relying primarily on less lucrative, long-term contracts, which, it says, has helped it survive the bad times.

The strongest criticism of Majestic comes from within the shipping industry. Several industry figures have derided Majestic as a company with no operating history and no intention of becoming a full-fledged shipping company.

BUT Loews has taken steps to deepen its operating team. In August, it acquired the tanker-market consulting firm of Martingale Inc. and appointed its two partners, John W. Devaney III, 46, as president, and Michael B. Kennedy, 32, as vice president of the new venture.

Loews also has contracted with an affiliate of Papachristidis Ltd., a 40-year-old ship-management firm, to pilot its active vessels.

Even with this management expertise in place, some analysts still regard Majestic as more of an investment company specializing in tankers than as an operating concern with a long-term future. The expectation is that the Tischs will liquidate the company when they perceive that the tanker market is near peak. "I think a prudent investor would assume that the company would be wound up after four or five years, presumably at the height in the cycle," says Mr. Stone.

If Majestic goes to market at \$20 a share, though, investors will be paying a hefty premium over the tankers' value. A \$20-a-share offer would place the value of each tanker at about \$19.3 million. The value of the tankers, including two ships it plans to acquire with the proceeds, was put at \$12.3 million each in August.

The prospectus says the offering was priced at between \$17 and \$20 based on market conditions, prospects for earnings and the stock prices of similar conditions.

FUNDS

Small, Agile Funds Taking Big Risks

By Karen Polk

AN aggressive and highly speculative strategy may seem inappropriate given the current uncertainty surrounding the stock market. But for a number of new funds that came on stream before the third-quarter correction shook up investors, the high-risk style has paid off.

To some extent these funds have been helped by their size — the biggest is only \$55 million — and most managers agree that their ability to skip in and out of the markets quickly is a benefit.

That equally important is the aggressive style of the managers. Some may turn over their portfolios 200 percent or more in a year and are not afraid to go to high percentages of cash to protect their advances when the market goes soft.

The emphasis is on capital appreciation and the eye is for small companies, initial public offerings and over-the-counter stocks where analysts see a hidden potential for growth.

"We want to be in the top 10 percent of funds even when the market is in the tank," says Keith Hartstein, mutual fund sales director for Equitic Siebel in Oakland, California, which launched its Aggressive Fund last March. As of Oct. 30, the \$13-million fund showed a total return of 31 percent, according to Lipper Analytical Services, which tracks fund performance. In the same period the Standard & Poor's 500 Index rose 7.4 percent.

It basically is a small company growth fund. Some of the smarter investments have been Home Shopping Network, which sells merchandise over the television, and Worlds of Wonder, a toy store chain. But when the market fell apart last summer, the fund sought safety in big capitalization stocks such as American Express, Eastman Kodak and Lormar-Expreses.

Some portfolios may turn over by 200 percent.

The other key to its success, says Mr. Hartstein, is a willingness to get out of the market. At the height of the bull market in May, the Aggressive Fund was 88 percent invested, but the proportion slipped to 68 percent by the end of June. "We try to smooth out the ridges a little bit," he says. "We want to protect our gains and not give back anything when the market goes soft."

The plan for the near future is to emphasize consumer non-durables, turning back to the small company growth stocks around the start of the new year, according to Mr. Hartstein. He expects the fund to turn over its portfolio completely in 1986, which he says puts the fund at the "conservative end" of the spectrum.

T. Rowe Price's Capital Appreciation Fund, which opened in June, takes a slightly different approach. The fund is broken down into two categories, their relative size depending on market conditions.

The fund's manager, Richard Fontaine, says that the "strategic" portion is generally made up of out-of-favor issues that he believes are positioned for steady upward growth. Schumberger Ltd. and Halliburton Co. are typical. Despite the slump in the oil services industry, Mr. Fontaine is betting that these are "excellent long-term buys."

By contrast the "tactical" stocks are money makers that Mr. Fontaine will turn over for

quick gains or cash when the market takes a downward turn. An example is Imagine Films, Ron Howard's motion picture production company.

Fontaine bought 25,000 shares at \$8 each when it went public last July and turned around later that day and sold it for \$17.50 a share. Stocks still among his tactical holdings include Merrill Lynch, Gerber Products and Eastman Kodak.


By splitting the portfolio Mr. Fontaine hopes to use the strategic portion to offset the aggressiveness of the tactical one, reducing the risk and volatility of the fund as a whole. The current portfolio is split almost evenly between the two.

Through the end of October the fund generated a return of 11.2 percent, according to Lipper Analytical Services. And during the tough third quarter, it showed a gain of 5 percent, compared with a decline of almost 7 percent for the S&P 500 index.

An innovative new fund is the Blanchard Strategic Growth Fund managed in New York by Michael Friedman, president of Stamford Management Inc. The portfolio is divided into four sectors: U.S. stocks, foreign stocks, precious metals and fixed-income securities.

Each sector is directed by an out-of-house manager, and investments are shuffled among sectors by a fifth manager in New York. "There is nothing like it in the market today," says Mr. Friedman, who launched the fund on July 1.

Since it is a small fund of \$30 million, investments can be moved quickly when necessary. With this "family of funds" says Mr. Friedman, "at least one sector will do well, whatever the economic conditions." At the end of October, the fund showed a return of 3.73 percent. In the same period, the S&P 500 index fell by 3.3 percent.



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3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43
4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44
5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45
6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46
7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47
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Table with 2 columns: Item, Page. Includes: Bond yields, New issues, etc.

EUROBONDS

Bad News Keeps Investors Waiting for Clearer Signals

By CARL GEWIRTZ

PARIS — There was little cheer in the Eurobond market last week. Investors stayed away, waiting for a clearer outlook on currency and interest rates...

Both are interpreted to mean that there will be no cut in U.S. interest rates in the immediate future.

In addition, there was great disappointment that the bond market rally that was expected to be triggered by Japan's reduction in its discount rate failed to materialize...

Banks denied rumors they were bailing out of floating rate notes.

Some analysts suspect that the Japanese bid back, hoping to pick up paper at more favorable terms in the secondary market.

The Eurobond market had a brief flurry of excitement when Alberta announced its first international offering of \$500 million of five-year bonds priced at 100% and bearing a coupon of 7% percent.

The province's debt, rated double-A, was widely regarded as fairly priced at 81 basis points over the yield on U.S. Treasury notes and within hours was increased to 87.50.

By week's end, the spread over the Treasury yield was held virtually constant, but the price had dropped to a 2-point discount in tandem with the drop in New York prices.

At the same time, Alberta sold \$500 million of seven-year floating-rate notes with a coupon of 3% basis points over the six-month London interbank offered rate. Here again the pricing was widely viewed as realistic, but the market was in no mood to buy FRNs.

THE FRN market was hit by a selling wave, worsening a trend that started late last month. Rumors abounded that certain underwriters were dumping their FRN holdings, but the banks said to be bailing out of the market stoutly denied it.

In any event, there was no doubting the selling pressure, which market participants said reflected widespread disillusion with recent issues marketed with below-Libor pricing.

Such pricing is competitive with yields on Euro-commercial paper, a market aimed at nonbank institutional investors. But the bulk of the FRN purchasers continue to be banks, which require Libor-plus pricing.

It is apparent that nonbank demand for FRNs is not strong enough to support below-Libor pricing, and the market is now adjusting to that reality. Still unclear is how much of a margin over Libor will be needed to keep banks buying the paper.

Alberta got good marks for trying, but in a week where no one wanted floating-rate paper, the timing was unfortunate.

That was true also for Citicorp's offering of \$500 million of perpetual notes, the first from a U.S. bank. The coupon was set at 1/2 point over Libor, equivalent to 1/4 point over Libor.

As with all perpetual floaters, Citicorp must suspend payment of the coupon if it ever skips paying dividends on its common and preferred stock. But in that case it must pay arrears after dividend payments are resumed.

Elsewhere in the fixed-coupon market, Credit Agricole's \$150 million of five-year notes were considered fairly priced. They were issued at 100% with a coupon of 7% percent for a yield of 78 basis points over the Treasury yield at offering.

By contrast, Banca Commerciale Italiana's \$100 million of five-year notes traded far outside the fees. The bank insisted on terms enabling it to swap the funds into floating-rate money at a cost of 20 basis points below Libor, but the offering terms at 92 basis points over the Treasury curve were considered too low.

A novelty in the Deutsche mark sector was Deutsche Bank's offering of 400 million DM of six-year bonds carrying two-year warrants to buy \$2,500 at a fixed rate of 2.06 DM. This represents the first currency option offered in West Germany and is expected to appeal to institutional investors who normally would not be allowed to speculate in the options market.

Because the warrants will be listed, they are considered securities. See BONDS, Page 15

Manila, Banks Disagree

Talks on Debt Break Down

By Susan F. Rasky

NEW YORK — Talks between the Philippines and its commercial bank creditors on new repayment terms for \$3.6 billion in debt have collapsed.

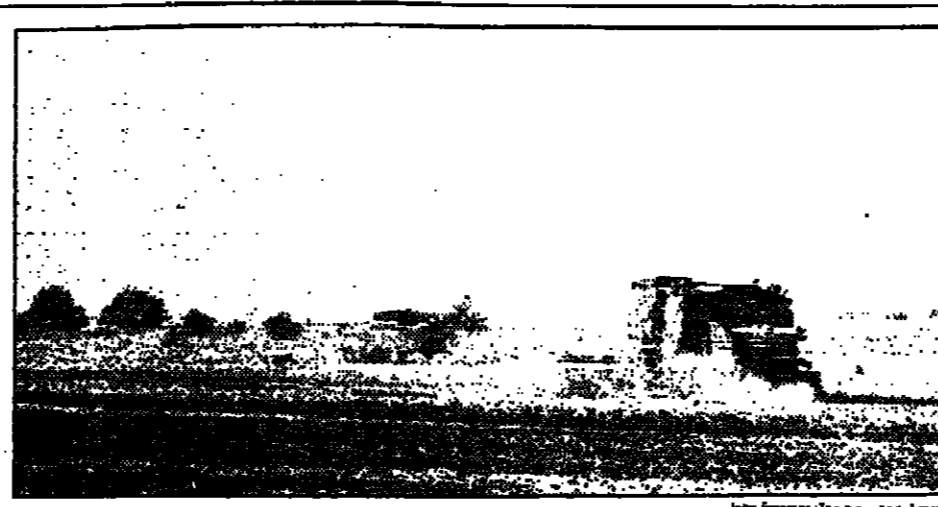
While the breakdown does not mean an immediate economic crisis for the Philippines, which has ample reserves to meet debt payments, it could not have come at a worse time for the government of President Corason C. Aquino, which is facing political strain at home.

Philippine negotiators, who called a news conference Friday to announce their departure for Manila on Saturday, blamed the collapse on the "intransigence" of a single bank among the 12-bank committee that represents all of the Philippine bank creditors. They declined to identify the bank, but numerous sources participating in the two weeks of talks said it was Citibank.

"Every time a vote was taken or an issue brought to the table, one institution reserved their position or objected," said Jaime V. Ongpin, the Philippines finance minister. "While we expected to disagree on certain issues, we were confident these could be resolved in good faith. What we did not expect was that a single bank's intransigence could paralyze the entire advisory committee discussion process."

Sources involved in the negotiations said the talks broke down after Citibank reacted angrily to a suggestion by the Philippines that it receive the same loan repayment terms recently negotiated by Mexico. Although other banks on the advisory committee were eager to continue bargaining, the sources said, Citibank refused, arguing that economic conditions in the Philippines did not warrant terms as favorable as those Mexico received.

Citibank, which holds \$1.8 billion in public and private Philippine debt, declined comment. The Mexican loan agreement has See DEBT, Page 15



Combines harvesting a Midwestern wheat crop.

In Kansas Plains, Grapes Join Grains

Farmers Plant New Crops in Bid to Avert Financial Ruin

By Charles Hillinger

HALSTEAD, Kansas — "We are drowning in a sea of grain," said Robert G. Rizza as he walked through his vineyard on the outskirts of this tiny central Kansas town. "We have to do something different."

When Dr. Rizza, a physician, planted vines on 14 acres (5.6 hectares) in 1978, he was the first Kansan to grow grapes as a commercial crop since Prohibition killed the wine industry. Before the dry years, Kansas was one of the nation's 10 leading wine-producing states.

Now, with grain fetching the lowest prices since 1972, many struggling Grain Belt farmers are looking at alternative crops, including grapes, to help stave off bankruptcy.

"This state will always be the breadbasket of America, with its great wheat, milo, soybean and corn production," said Ted Walter, a research agronomist at Kansas State University. "We think the potential is probably limited for alternative crops. But for many farmers, the alternative crops may mean the difference between keeping the farm or losing it."

In that spirit, five farmers in Sterling built a \$500,000 cotton gin — the state's first ever — to process their secondary cotton crop. Charley Gilmore was the first to plant a few acres in cot-

ton in 1978, which he expanded to 20 acres by 1980. Today, 18 farmers are growing cotton on 2,000 acres farther north than anywhere else in the United States and processing it in the two-year-old gin.

"I think cotton has a lot more potential than other alternative crops," Mr. Gilmore said.

As Jerry Zimmerman checked his 45 acres of cotton, slicing a knife through a boll to determine maturity, he mused: "You can see the handwriting on the wall. We're overproducing wheat and milo. Wheat can be grown everywhere in the world. Cotton can't."

"This might be a crop we can make some money on," Mr. Zimmerman said. Although prices are flat, cotton as a fiber yields a different market cycle than grain, he added.

Mr. Zimmerman recalled that when sorghum, or milo, was introduced in Kansas, some folks laughed, but it is now the No. 2 crop in Kansas — after wheat but ahead of soybeans and corn.

Kansas also bills itself as the Sunflower State. While a stalk of wheat graces the state license plates, highway numbers are displayed on signs shaped like a sunflower, which is the official state flower.

Not long ago, Ag Dynamics Co. began operating a \$1.2-million plant to process confectionery sunflower seeds at Goodland, near the Colorado border. The plant's owners are two Cali-

forians — John Featherstone and David Ferguson.

"Confectionery sunflower seeds are growing in popularity as a snack item and as a condiment at salad bars," Mr. Featherstone explained. Kansas farmers have produced a small amount of sunflower seeds for oil, he said, but growing them for the snack market is new.

"Western Kansas is an ideal growing area for the crop," he said. "We have contracts with 71 grain farmers who are growing sunflowers as a secondary crop on 13,000 acres. Sunflowers fit well into their rotation program."

Among other hitherto-slighted commercial crops are vegetables, said Jim Greig, professor of horticulture at Kansas State.

"Today, many farmers are growing anything they can to make a buck and keep the farm," he said. "This year, a whole bunch of farmers planted pumpkins for the first time. They're growing watermelons and cantaloupe and experimenting with herbs, asparagus, broccoli and cauliflower. They're trying anything."

During the past five years, 27 farmers' markets have sprung up around the state, featuring Kansas-grown specialty crops.

Frank Morrison, a Kansas State horticultural professor, has been working with farmers for See KANSAS, Page 17

Wickes Offers \$1.16 Billion for Textiles Firm

By Pauline Yoshinashi

LOS ANGELES — Wickes Cos., a diversified retail and manufacturing conglomerate, has agreed to acquire Collins & Aikman Corp., a manufacturer of industrial and automotive fabrics and specialty products, for \$1.16 billion cash.

Wickes, which is based in Santa Monica, California, said Saturday that it would begin a tender offer on Monday of \$54 a share for Collins & Aikman's approximately 21.8 million shares of common stock outstanding.

The boards of both companies agreed to the merger on Friday.

Sanford C. Sigoloff, chairman and chief executive of Wickes, said that New York-based Collins & Aikman would be a separate unit and that its senior management would be retained.

Wickes said Donald F. McCullough, Collins & Aikman's chairman and chief executive, would join the Wickes board.

Collins & Aikman's stock closed Friday on the New York Stock Exchange at \$38, up \$2.375.

Collins & Aikman is a leading manufacturer of decorative fabrics, floor coverings, wall coverings, yarn, fashion fabrics and textile bath accessories.

It reported net income of \$66.4 million on revenues of \$1.1 billion for the year ended last February.

Mr. Sigoloff said: "The acquisition of Collins & Aikman is an excellent fit, not only because of the added dimension that it brings to Wickes' home furnishings and automotive segments, but also because of the resulting synergy it provides with businesses within those segments."

Mr. Sigoloff has launched Wickes into an aggressive acquisition and expansion program since it emerged from reorganization under Chapter 11 bankruptcy proceedings in January 1985.

Wickes is selling much of its general retailing business, which accounted for about a quarter of the company's revenues last year.

Earlier this year, Wickes made an unsuccessful \$2.1-billion offer

for Owens-Corning Fiberglas Corp. and a \$1.23-billion offer for National Gypsum Co. that later was rejected.

In July, Wickes raised \$1.4 billion in a debenture offering, and used about \$200 million of that to acquire two home-improvement and building materials units from W.R. Grace & Co.

In September 1985, Wickes bought the consumer and industrial products groups of Gulf & Western for about \$1 billion.

Collins & Aikman's sales have nearly doubled since 1982, when it posted net earnings of \$18.8 million on revenues of \$66.9 million.

In the year ended Jan. 25, Wickes reported earnings of \$76.1 million on revenues of \$2.8 billion. Its stock closed unchanged at \$4.50 Friday on the American Stock Exchange.

Lawson Ready To Raise Rates To Prop Pound

International Herald Tribune

LONDON — Britain is prepared to raise interest rates should the pound come under renewed downward pressure, the chancellor of the Exchequer, Nigel Lawson, said Sunday.

Mr. Lawson said repeatedly during an interview with the British Broadcasting Corp. that he did not want to see the pound drop any lower.

The pound has slipped recently. It weakened in London on Friday to close at \$1.4275 after \$1.4315 Thursday, but strengthened in New York to \$1.4510 from \$1.4270.

Asked whether he was prepared to raise rates to support the pound, Mr. Lawson said: "If there is pressure on sterling, that's how we've responded in the past and that's how we'll respond in the future."

U.S. Business Is Assailed As 'Bloated, Inefficient'

By Hobart Rowen

WASHINGTON — The deputy secretary of the Treasury, Richard G. Darman, has sharply criticized American business management, calling it "bloated, risk-averse, inefficient and unimaginative."

Mr. Darman, in a speech Friday, warned that populist resentment of the United States' inability to compete with Japan and other countries not only may trigger an attack on the business establishment, but also could set off a wave of isolationism and protectionism.

Mr. Darman saved his harshest words for unnamed leaders of big U.S. corporations. In his speech to the Japan Society of New York, he said that American chief executives must assume a large share of the blame for losing out to Japanese and other foreign competitors.

"As a general matter, we pride ourselves on our pioneering traditions," Mr. Darman said. "But out of the publicly funded defense area, we under-invest in research and development. Some high-priced managers seem to spend less time developing R&D budgets than they spend reviewing golf scores..."

"And if, by chance, one wants to discuss any of this with some of America's top corporate leaders, it is often best to call after 10 in the morning and before 4 in the afternoon — unless one has the number of their car phones."

Mr. Darman charged that although corporate heads pay lip service to the theory of global interdependence, "much of corporate America remains parochial, and knows far less about other cultures than foreign managers know about us. It is little wonder that the Japanese, Koreans and others can design and market state-of-the-art consumer products for our markets, but that we are often inept at doing the reverse."

Mr. Darman suggested that a growing worry about the stewardship of some of America's greatest companies is the force that may ultimately induce changes in the management of U.S. businesses. He said concern about the competence of some executives was reflected in the news media's "infatuation" with Carl C. Icahn and T. Boone Pickens Jr., once dismissed as corporate raiders but now considered folk heroes by some when they tackle established enterprises.

Mr. Darman said the Tax Reform Act of 1986 would help stimulate individual and business incentives, which would bolster U.S. economic competitiveness.

Lawsuit Seeks to Pressure BofA to Negotiate Merger

Los Angeles Times Service

LOS ANGELES — A stockholder lawsuit has been filed against BankAmerica Corp.'s board in an effort to force serious merger negotiations with First Interstate Bancorp or any other qualified bidder.

The class-action suit, filed Oct. 10 in Delaware, where BankAmerica is incorporated, also seeks independent shareholder representation in any talks on a merger or recapitalization. The complaint alleges that BankAmerica board members are acting out of self-interest rather than on behalf of the company's 148,000 individual and institutional shareholders.

BankAmerica has moved for dismissal of the suit, a spokesman said Friday.

The lawsuit was filed a week after First Interstate bid \$2.8 billion for troubled BankAmerica, the second-largest U.S. banking company. First Interstate has since raised its offer to \$3.4 billion.

Last Monday, BankAmerica's board all but rejected the First Interstate proposal, saying it saw no reason for a merger at this point. The suit was filed by Barbara Zarowitz, a New York City house-

wife who owns 200 BankAmerica shares, on behalf of all common stockholders. She is represented by Richard D. Greenfield, an attorney with the Haverford, Pennsylvania, law firm Greenfield & Chimicles.

Mr. Greenfield said Friday that he filed the Zarowitz suit to assure that shareholders' interests were represented in any discussions regarding a merger or injection of capital from outside investors.

He said the suit did not seek damages at this point but that the bank would be liable for huge claims if it did not accept a merger or other plan to increase the value of the company's shares. First Interstate is offering a package of securities it says are worth \$22 a share for BankAmerica.

London Unit on Block

Bank of America is exploring the sale of its London-based mortgage bank, BankAmerica Finance, according to a senior executive, the International Herald Tribune reported from London.

Jeremy G. Fair, a senior vice president at Bank of America's British headquarters, said several financial institutions had expressed interest in BankAmerica Finance.

CEDEL HAS CLEARED US \$ 1.000.000.000.000 TRANSACTIONS IN EURO-SECURITIES SINCE 1ST OF JANUARY 1986 WE THANK OUR PARTICIPANTS FOR THEIR SUPPORT

Last Week's Markets

All figures are as of close of trading Friday

Table with columns: Index, Nov. 7, Oct. 27, Change. Includes: DJ Index, DJ TRNS, S & P 500, NYSE Comp, FTSE 100, Nikkei 225, Commerzbank, Hong Kong.

Currency Rates

Nov. 7

Table with columns: City, Rate, Change. Includes: Amsterdam, Brussels, Frankfurt, London, Milan, New York, Tokyo, Zurich.

Source: James Canal & Co., London

Other Dollar Values

Table with columns: Currency, Rate, Change. Includes: Arab. Dir., Austr. \$, Belg. Fr., Can. \$, Danish kr., Deutsch M., Hong Kong \$, Indian Rupee, Ital. L., Japanese Yen, Korean Won, Mex. P., Netherl. G., New Zealand \$, Norw. Kr., Port. Escudo, Singapore \$, South Africa R., Swiss Fr., Taiwan \$, Thai Baht, Turkish L., U.S. Dollar, West German M., Yugo. D.

International Bond Prices

Am. Security	% Mat.	Price	Yield	Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5	dm 100 Eurobond	7 1/2	102 1/2	8.5
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NASDAQ National List

OTC consolidated trading for week ended Friday, Nov. 6

Sales In	High	Low	Last	Net Chg.
AA Imp	3 1/2	3 1/2	3 1/2	0
AA Int	3 1/2	3 1/2	3 1/2	0
AA Inv	3 1/2	3 1/2	3 1/2	0

French Francs

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5
dm 100 Eurobond	7 1/2	102 1/2	8.5

Norwegian Kroner

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5

Euro-Currency Units

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5

Japanese Yen

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5

Pounds Sterling

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5

Canadian Dollars

Am. Security	% Mat.	Price	Yield
dm 100 Eurobond	7 1/2	102 1/2	8.5



2 for 1

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Tel: _____

10-11-86

Euromarts At a Glance

Country	Currency	1 year	6 mos.	3 mos.
Austria	Sch.	4,800	2,600	1,450
Belgium	Bfr.	10,700	5,800	3,300
Denmark	Dkr.	2,300	1,250	690
Finland	Fmk.	1,630	880	490
France	Ffr.	1,400	760	420
Germany	Dml.	560	300	170
Great Britain	£	130	68	36
Greece	Dr.	20,000	11,000	6,000
Netherlands	R.	634	340	190
Ireland	£	140	77	42
Italy	Lira	20,000	10,000	5,000
Luxembourg	Lfr.	10,200	5,800	3,200
Norway	Nkr.	1,630	880	490
Portugal	Esc.	19,000	10,400	5,700
Spain	Phn.	26,500	14,000	8,000
Sweden	Skr.	1,700	920	520
Switzerland	Sfr.	490	270	148

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New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price and week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Prices Fall As Treasury Refunding Disappoints

By Mary Tobin United Press International NEW YORK — The poor reception to the Treasury's record \$29 billion refunding auction sent bond prices lower across the board.

U.S. CREDIT MARKETS

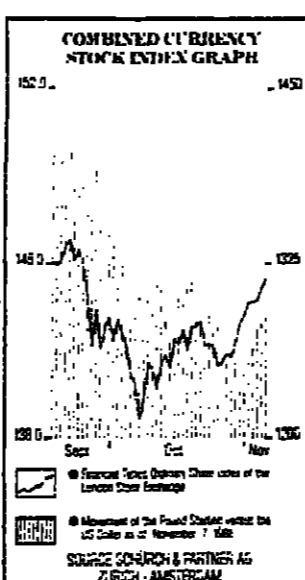
Notes at an average yield of 6.42 percent; \$9.75 billion of 10-year notes at a yield of 7.25 percent, and \$9.25 billion of 30-year bonds at 7.54 percent.

Philip Braverman, chief economist at Irving Securities, said that Japanese dealers and investors bought an estimated \$1 billion to \$1.5 billion of the 10-year notes, and \$3 billion or more of the 30-year.

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

The Amsterdam Stock Exchange registered increases in all sectors last week, with the ANP-CBS General Index rising to 283.3 from 276 the previous week.



owned automaker Alfa Romeo SpA by Fiat SpA, had no effect on the COMIT index which moved up 0.33 percent, closing at 768.81 points from the previous week's 766.91.

Newly listed Keppel Investment Warrants was the most active stock in Straits Steamship made their debut on Tuesday and had a turnover of 10 million units for the week.

Tokyo

Japanese shares rose modestly in shortened trading on the Tokyo Stock Exchange last week. The 225-stock Nikkei average, a 626.63-point gainer the previous week, added 63.01 yen to 16,973.64 yen Friday.

Paris

French share prices gave up around 1 percent last week as foreign investors, still fascinated by the Big Bang on the London exchange, were reluctant to assert themselves.

The composite index, comprising all common stocks listed on the market's first section, climbed 1.13 points to 1,409.18. The index rose 56.14 points the previous week.

The market was closed Monday for a national holiday and on Saturday for a regular monthly trading recess.

Japanese stock prices the previous week registered their biggest single-day rises in terms of the Nikkei average and the composite index and seemed to have cleared a downward phase.

But many institutional and corporate investors hesitated to return to the market, awaiting the results of Tuesday's U.S. congressional elections.

Analysis said the Democrats' victory would probably result in rising protectionism in the United States, forcing Japan to take further measures to stimulate its domestic economy.

Analysis said they were still uncertain whether institutional and corporate investors would return fully to the market this week.

Zurich

Stock options were introduced on the Zurich exchange last week, enabling buyers, including foreigners, to acquire Swiss nominal shares during a fixed period.

Some analysts said the new instrument tended to confuse the market. They noted that the Société de Banque Suisse index was flat, moving from 653.9 the previous Friday to 656.7 at the closing session Friday.

B.K. Bank Zurich offered 100,000 option certificates on Ciba-Geigy AG nominal shares at 350 Swiss francs a share for three years. It was quickly followed by Société de Banque Suisse, with an offer of 25,000 options on nominal shares of Zurich-Assurances.

Market specialists were reasonably optimistic for the coming week, expecting a stable dollar. They said the medium-term trends were positive, with the SPS index likely to hit 675 before the end of the year.

Banks were irregular, with Union de Banques Suisses gaining 95 points to 5,920, while Crédit Suisse lost 15 points to close at 3,705.

Frankfurt

A strong showing on Wall Street and a firmer dollar boosted the Frankfurt stock exchange last Friday. The Commerzbank Index advanced 23.4 points to 2,019.1.

Banks benefited from hopes, which proved unfounded, of a reduction in interest rates, while a rise in the dollar helped the export sector.

The volume of transactions came to 21.5 billion Deutsche marks, against 21.1 billion DM the previous week.

Among automobiles, Daimler-Benz AG, which announced on Wednesday an increase in its capital, closed the week 37 DM stronger at 1,286, while Bayerische Motoren Werke AG gave up 1 DM to finish at 577 and Volkswagen AG gained 10.50 to close at 464.

Mannesmann AG, in the metals section, put on 12 DM to 189.50 and Continental Gummi-Werke AG, in tires, gained 10.50 to 335.

Hong Kong

Stock prices plunged last week in a market dominated by rumors, later confirmed, that publisher Rupert Murdoch had bought a stake in Hong Kong's publicly listed English-language daily, the South China Morning Post, and by fears of U.S. protectionist measures that could damage the local economy.

The Hang Seng Index finished 97.25 points lower for the week at 2,218.38. The Hong Kong index fell 61.66 points, settling at 1,404.29.

The Hang Seng shed 56.85 points Monday, its biggest one-day fall in 17 months, only to be outdone by a 62-point slide Thursday. The Democrats' victory in U.S.

congressional elections spurred nervous selling. Dealers said many investors felt the British colony's export-led economy could be jeopardized by protectionist measures likely to be revived by the Democrats.

The value of average daily turnover fell from 1.03 billion Hong Kong dollars to 790 million.

London

The second week of the Big Bang saw gains for most sectors on the London Stock Exchange.

The Financial Times industrial share index rose to its highest level for eight weeks, closing Friday up 21.5 points on the week at 1,317.2.

A statement by the chancellor of the Exchequer, Nigel Lawson, that public spending would be increased next year was well received by equities. But gilt yields upped initial gains as fears that this apparent relaxation of monetary policy would lead to increases in interest rates and inflation.

Hopes that the new Saudi oil minister, Hisham Nazer, would succeed in persuading the Organization of Petroleum Exporting Countries to agree on production cuts to help lift crude prices to around \$18 a barrel prompted sharp gains for oils. Disappointing third-quarter figures from Shell had only a briefly depressing effect.

In an analysis of the chancellor's statement, stockbrokers Savory Millin concluded that the government's expenditure plans greatly reduced the possibility of a major tax cut in the next budget. Nevertheless, the British economy should remain buoyant over the next year, thus feeding the current bullish equity market, they added.

Milan

The Milan bourse was calm last week. The main event, the approval of the takeover of government-

U.S. Consumer Rates

Table with columns: Item, Rate, Source. Includes Prepaid Services, Tax Exempt Bonds, Bond Buyer 30-Bond Index, Money Market Funds, Depositor's 7-Day Average, Bank Money Market Accounts, Bank Rate Money Index, Home Mortgage, FHLB average.

Rhône-Poulenc's Terms Push Fees Down a Notch

By Carl Gewirtz International Herald Tribune PARIS — Bank fees dropped a notch further last week with Rhône-Poulenc offering to pay an annual fee of four basis points, or .04 percent, for a seven-year multi-option facility of \$200 million.

However, bankers insist that the transactions are not really comparable. An industrial company has a lot more potential business to give to banks than does a state credit agency — meaning that lenders would be willing to provide curate terms on some business to win access to the firm's other, presumably more profitable, financing operations.

transaction has a maturity of three years that can be extended for a further two years at the option of the underwriting banks. The bank will pay an annual underwriting fee of 20 basis points and certificates of deposit it aims to issue will carry a fixed margin of 25 basis points over Libor.

Lehman Brothers acting as dealers. The average outstanding amounts under the program are not expected to exceed the \$100-million level of a previously arranged note issuance facility.

BONDS: Investors Waiting

(Continued from first finance page) eties and therefore insurance companies and pension funds can buy them.

Deutsche Bank at the same time offered 300 million DM of five-year notes carrying a coupon of 6 percent and priced at 100 1/2. The warrant bond carries an identical coupon but at an offering price of 112, in effect pricing the warrant at 11 1/2 percent. That means the dollar would have to rise to 2.2969 DM for purchasers to just break even.

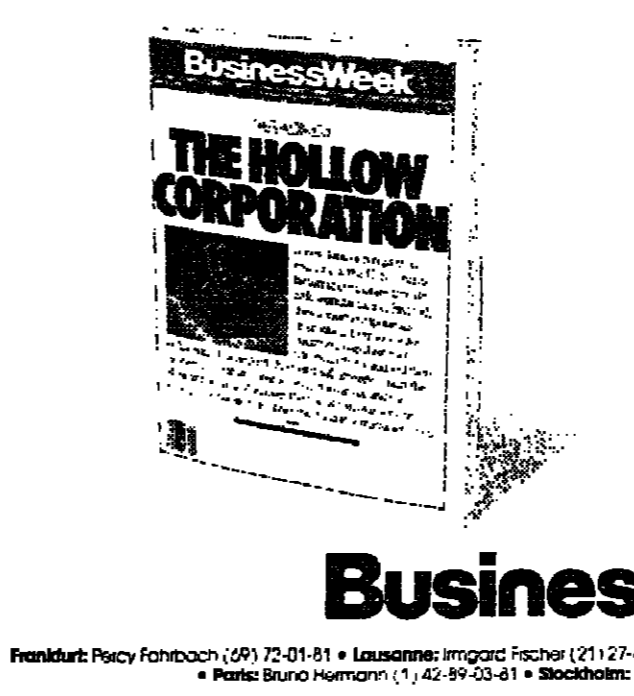
DEBT: Manila, Banks Disagree (Continued from first finance page) been regarded as precedent-setting by both debtors and creditors.

On Friday, Mr. Ongpin declined to say precisely what the Philippines had asked for in its debt repayment proposal, but he made it clear that the Mexican package had served as something of a model.

Among U.S. business magazines, there is only one leader.

You probably already know that BusinessWeek International is the leader in cost efficiency in reaching Chief and Senior Executives in Europe and Asia. Now, we want you to know that, in America, the unqualified leader is BusinessWeek. Not ForTime.

COMPARISON CHART table comparing BusinessWeek, ForTime, and Fortune across various metrics like circulation, readers, and audience coverage.



Frankfurt: Percy Fahrboch (49) 72-01-81 • Lausanne: Imgard Fischer (21) 27-44-11 • London: Keith Manilla (1) 493-1451 • Milan: Roberto Lorenzi (2) 805-95-67 • Paris: Bruno Hermann (1) 42-59-03-81 • Stockholm: Andrew Kemp (81) 4300-05 • Tokyo: Paul Inui (3) 581-9811

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table of NASDAQ National Market data, including columns for Sales, High, Low, Close, and Net Change. Includes sub-sections like (Continued), A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table of international market data, including columns for Sales, High, Low, Close, and Net Change. Includes sub-sections like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Lucky Stores Plans New Restructuring

LOS ANGELES — Lucky Stores Inc., under pressure from the takeover efforts of Asher B. Edelman, the New York investor, has announced a restructuring plan that would include the repurchase of up to 28 percent of its common stock and the spinning off or sale of its three specialty store chains.

KANSAS: Grapes and Grain

(Continued from first finance page) five years on a program to grow strawberries, and this year for the first time area supermarkets are featuring Kansas-grown strawberries.

OPEC Panel to Discuss Call for Price Boost

KUWAIT — The OPEC pricing committee will meet in Ecuador at the end of the week to discuss Saudi Arabia's call for efforts to raise oil prices to \$18 a barrel, Kuwait's oil minister said Sunday.

Continental Bank Says Canada Approves Sale

TORONTO — Continental Bank of Canada said the government had approved the sale of the bulk of its assets to a subsidiary of Lloyds Bank PLC.

American Exchange Options

Table of American Exchange Options data, including columns for Option & price, Calls, and Puts.

Chicago Exchange Options

Table of Chicago Exchange Options data, including columns for Option & price, Calls, and Puts.

Belgrade-Beijing Air Link

BELGRADE — The Yugoslav airline JAT will resume in May a weekly Belgrade-Beijing service that was discontinued as unprofitable five years ago, the official news agency Tanjug said Saturday.

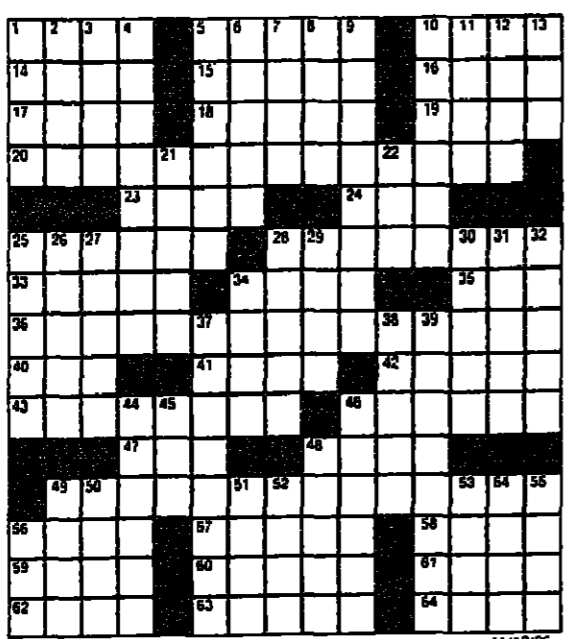
Treasury Bonds

Table of Treasury Bonds data, including columns for Maturity, Bid, Ask, and Yield.

Mexican Inflation at 99%

MEXICO CITY — Consumer prices in Mexico rose 5.7 percent in October from September, the central bank reported Friday, and year-to-year inflation was 99.55 percent. Inflation for all of 1985 was 63.7 percent.

SPORTS



ACROSS

1 Kind of pity or indulgence
5 Dizzy Gillespie's forte
10 Ship's lookout
14 "... saw Elba"
15 Full-grown insect
16 Purpura source
17 Iranian coin
18 More meticulous
19 Cures
20 Out of fashion
23 What Penrod and Sam were
24 Counterpart of Sen.
25 Shade of red
28 A size of paper
33 Utopian colony in Iowa
34 Stand-up comic Mort
35 Suffix meaning "full of"
36 Out of nostalgia
40 Hot time in Paris
41 Slippy ones
42 Do a tailoring job
43 Butlers and maids
46 Tartans
47 Newt

DOWN

1 Slavic language
2 Canal or lake
3 Jacob's first wife
4 Cebu native
5 Hobo's bundle of bedding
6 Gives off a musical dynasty
7 Founder of a musical dynasty
8 Curved molding
9 Stateroom window
10 Holds liable for
11 Latest fashion
12 U.S. composer: 1874-1954
13 An anesthetic
21 Speech sound
22 Crusoe's refuge: Abbr.
25 Night spots

26 Overact
27 Less common title
28 Comes a cropper
29 — law, in electricity
30 Raccoon's tropical relative
31 Invited
32 Jury members
34 Directive to a printer
37 They care about caries
38 Of certain Franks
39 A fall in hockey
44 Turned aside
45 Fore's opposite
46 Daily (Clark Kent's paper)
48 M. Zola
49 Start of a famous soliloquy
50 Whine's dance
51 Joust's barb
52 Diminutive ending: 1874-1954
53 Holy picture
54 Leningrad's river
55 Part of Q.E.D.
56 Pinature crewman

© New York Times, edited by Eugene Malachuk.



SECONDS — Cal Ripken, left, was congratulated by Pittsburgh's Tony Pena after the Baltimore infielder hit his second two-run homer of Saturday's game in Yokohama, won by the touring U.S. major-leaguers, 15-3, over the Japanese all-stars. In Sunday's finale in Tokyo, Pena drove in three runs as the Americans won, 9-4, wrapping up the series with a 6-1 victory margin.

VANTAGE POINT/Andrew Warshaw
Fan Violence Not Just 'the British Disease'

The Associated Press

LONDON — Soccer officials say violence by fans, which has kept English clubs out of European soccer competition for two seasons, now seems more widespread in parts of Europe than in Britain.

A recent Associated Press survey of European soccer officials found fan violence has decreased at English domestic games and increased on the continent, especially in Italy, Greece and the Netherlands.

English officials say the findings show soccer rowdiness can no longer be accurately called "the British disease." And English Football League spokesman Andy Williamson said it shows the time is right to allow English clubs back into Europe.

"I certainly feel the ban should be reviewed. If we are not allowed to play overseas, what further proof have we that the situation is getting better?" he said.

But the European soccer body, UEFA, contends that English fans' better behavior at home must be matched in their conduct at exhibition games overseas before the ban can be lifted.

The ban was imposed after the May 1985 riot at Heysel stadium in Brussels during the Champions Cup final between Liverpool and Juventus of Turin. The rioting started by Liverpool supporters killed 39 people, mostly Italians.

English FA spokesman David Bloomfield said he thinks the most likely reason for the decrease in fan violence in England this season was improved stadium security, which includes a ban on alcohol and police surveillance by closed-circuit television.

Officials list five major outbreaks of English fan violence this season. The worst was on Sept. 20, when traveling backers of second-division Leeds United set fire to a grassy hill and a mobile food van at Bradford. Police arrested 64 people, and Leeds fans were barred from attending away games.

The latest two occurred Saturday, in the northeast town of Darlington and in southeast Torquay.

At a third-division game between neighbor-

ing Darlington and Middlesbrough, about 200 fans began fighting on the field and delayed the game for 12 minutes; police said 64 persons were arrested. At Torquay, Wolverhampton fans repeatedly invaded the field during a fourth-division match and a policeman was injured by an object thrown from the stands.

Also on Saturday, 20 policemen were injured in Munich, when 250 fans invaded the field that sets jail terms of up to two years for fighting, carrying weapons, exploding fire-works or interrupting play.

In Scandinavia, Spain, Portugal and France, fan violence has been nearly eliminated. In West Germany, where minor incidents occur frequently, officials say the decrease in major incidents is a direct result of the Heysel riot. Brussels was a deterrent. Many rowdies had serious thoughts after Brussels, said a West German soccer federation spokesman.

Fan violence appears to be most acute in the Netherlands. Through the end of October, authorities said 58 fans had been injured and 215 people arrested in Dutch soccer violence.

On Nov. 2, Rotterdam police reported one person was seriously injured and 37 fans were arrested for violent behavior.

Police in the southern city of Den Bosch dismantled two home-made fire bombs before a match between FC Den Bosch and The Hague.

Some supporters of Feyenoord who traveled to Mönchengladbach, West Germany, for a UEFA Cup game against the local team, Borussia, fought with local citizens, wrecked shops and overturned cars. Police made 71 arrests.

It marked the first time, traveling fans from anywhere but Britain had caused major problems in the three European Cup competitions, said a UEFA spokesman.

Last week, the Dutch National Soccer Association, after a meeting with mayors of Dutch towns where professional soccer is played, agreed to consider a ban on spectators from certain matches.

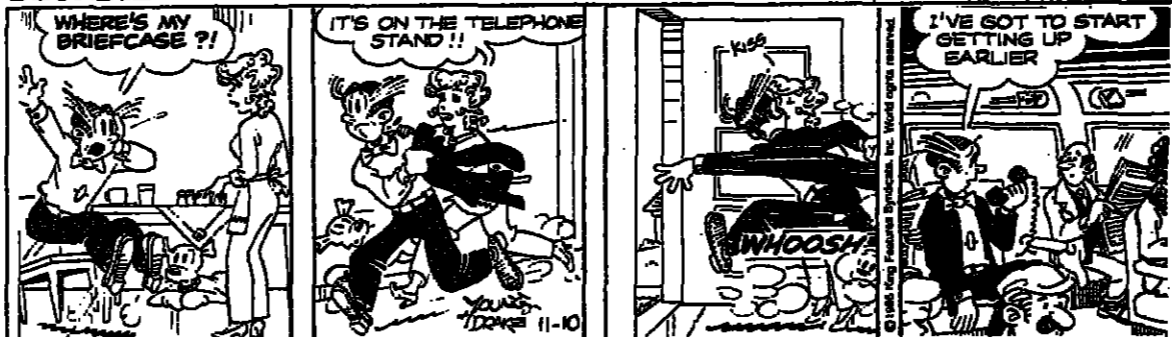
UEFA has nominated three neutral observers to study crowd behavior at English club matches, but no amount of good behavior at home can alone lead to the ban's being lifted, said the UEFA spokesman.

In last month's Sweden-England international in Stockholm, a group of English fans was arrested for drunkenness and fighting. Before the season began, more than 100 fans traveling abroad for a series of exhibition games braved on a North Sea ferry. Five were injured, three with stab wounds, and 14 arrested.

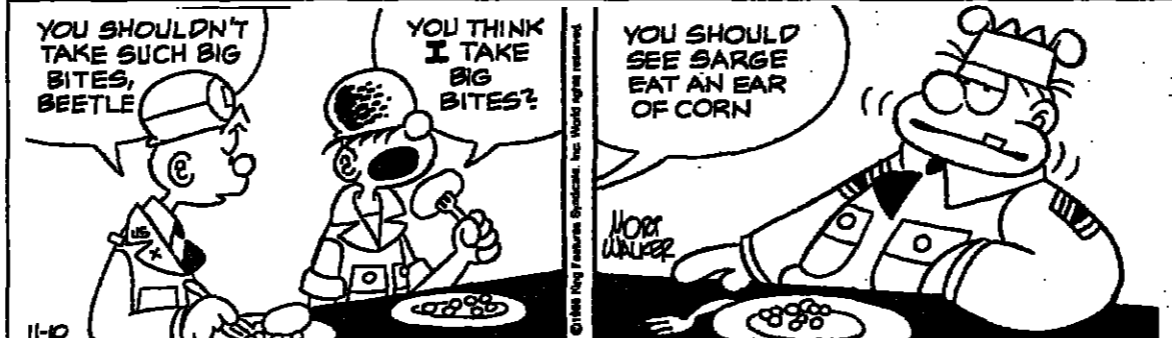
PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



"MOM, WHICH HALF OF ME IS IRISH?"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Amald and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GNUST
SHYKU
BUNNO
YANTID

When the famous star didn't show up, his stand-in became this.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A _____ (Answers tomorrow)

Friday's Jumble: ANISE SCARF GOTTEN POISON
Answer: What she said when the chimney sweep proposed marriage—"YOU 'SCOT' ME FINE"

WEATHER

EUROPE		ASIA	
CITY	TEMP.	CITY	TEMP.
Algeria	15-20	Bangkok	24-30
Amsterdam	9-14	Beijing	14-21
Athens	16-24	Hong Kong	24-30
Bangkok	24-30	Kobe	16-21
Bombay	24-30	London	10-15
Buenos Aires	13-23	Manila	24-30
Calcutta	24-30	Mexico City	18-24
Cairo	18-24	New Delhi	24-30
Canton	18-24	Osaka	16-21
Cebu	24-30	Shanghai	16-21
Colon	24-30	Singapore	24-30
Copenhagen	10-15	Taipei	24-30
Dallas	12-18	Tokyo	16-21
Darwin	24-30		
Dublin	10-15		
Edinburgh	10-15		
Hankow	16-21		
Hong Kong	24-30		
Kobe	16-21		
London	10-15		
Los Angeles	16-21		
Manila	24-30		
Mexico City	18-24		
New Delhi	24-30		
Osaka	16-21		
Shanghai	16-21		
Singapore	24-30		
Taipei	24-30		
Tokyo	16-21		

BOOKS

CHEKHOV
By Henri Troyat. Translated by Michael Henry Heim. 364 pages. Illustrated. \$22.50. E. P. Dutton, 2 Park Avenue, New York, N. Y. 10016.

Reviewed by John Gross

ANTON CHEKHOV'S father was an unsuccessful grocer in Taganrog, a semi-desert port in southern Russia, that by the mid-19th century had lost whatever prosperity it had once enjoyed. He was also a domestic tyrant who beat his children virtually every day, in the conviction that he was carrying out the will of God, and who forced them to spend long hours toiling in his grimy little shop under dismal conditions — on one occasion, when a rat drowned in a barrel of oil, he sent for a priest to recite a purification ritual so he could continue offering the oil for sale.

In spite of all this he was not without his affectionate impulses or his abilities (he taught himself to play the violin, for instance), and later in life his famous son was able to look back at him with remarkably little resentment. But at the same time Chekhov's childhood was overshadowed by hardship and fear, and the family's situation became even more wretched during his adolescence when it moved to Moscow (where his father had decamped to avoid being thrown into prison for debt).

Yet out of the cramped and often squalid circumstances in which Chekhov grew up there emerged a writer with as fine a sensibility as Frost or Henry James — a writer, moreover, who did not pursue and safeguard his vocation at the expense of everything else, but who was equally prepared to shoulder practical burdens — to take charge of his family's affairs while he was still in his teens, and simultaneously set out to become a doctor.

Henri Troyat's new biography proceeds along the same lines as his well-known studies of Tolstoy, Dostoyevsky and other Russian masters: He reconstructs Chekhov's life in the spirit of a novelist, but without indulging in the fanciful speculations of a *vie romanesque*. This time, however, he faces more of a challenge. There is undoubted drama in watching Chekhov triumph over his early disadvantages; but after that — in contrast with the tumultuous lives of Troyat's previous subjects — his story is relatively low-key.

Not that it lacks incident, of course. His career as a doctor, the onset and deadly progress of his tuberculosis, his friendships with famous contemporaries, his travels, his quarrels, his involvement in the theater, his marriage — all these furnish memorable moments. What the separate episodes do not provide is the kind of narrative momentum that sweeps everything before it. In the end a biography of Chekhov, like so many of his stories, is bound to be flat and foreknow a character study.

Luckily Troyat knows how to make the most of his opportunities, including the opportunity to draw on Chekhov's incomparable letters. He is a self-effacing biographer who nonetheless maintains a discreet distance from his subject; his portrait is skillfully composed and convincing, and he succeeds — the trickiest task of all — in capturing the appropriate tone. (Just occasionally, though, his translator lets him down, with a misjudged colloquialism or an awkward term like "old-maidhood.")

A few themes come across particularly strongly. One is the quality that Troyat sums up as Chekhov's "moderation" (much the same thing as the "common sense" that W.H. Auden, according to Joseph Brodsky, once said he found lacking in all the great Russian writers apart from Chekhov). It was a quality allied — never was there a great man who was less addicted to playing the Great Man — to his preference for literary techniques that permitted readers to draw their own conclusions and to his insistence that his job as a writer was (in Troyat's words) "to state problems, not solve them."

Politically, too, Chekhov mistrusted extremes. He was a liberal who believed that in the end progress depended on individuals rather than mass movements, and who frequently gave a lead himself — voluntarily inspecting and publicizing conditions in the penal colony on the island of Sakhalin, for instance, and helping to establish a sanatorium for consumptives at Yalta. (It still bears his name.)

As a great writer, too, he had an exceptionally attractive and humane personality. But no great achievement is ever accomplished without a certain ruthlessness, and Troyat also summons witnesses who attest to Chekhov's underlying impassivity and detachment. His ability to insulate himself from the demands of passion. "You are colder than the devil with people," Maxim Gorky once wrote to him.

Finally, however, it is an amalgam of qualities that Troyat presents, rather than a balance sheet. There was warmth as well as coldness in Chekhov, just as there was comedy as well as tragedy in his vision of things. The big mistake in either case would be to assume that one excludes the other.

It is a mistake that Troyat does not commit. On the contrary, he sets out to convey the distinctive Chekhovian blend of feelings and attitudes, and succeeds — nowhere more so than in his account of the writer's last days at a German spa, and his funeral, which had its full share of absurdities (his body arrived back in Russia in a railroad van marked "FOR OYSTERS") but closed on a note of simple sadness. The only graveside oration he received was his mother's response as a friend bent down to kiss her hand: "What a calamity has struck us. Antonia is no more."

John Gross is on the staff of *The New York Times*.

BRIDGE

By Alan Truscott

THE diagrammed deal illustrates an important point of theory for those using modern bidding methods. A response of two clubs to one diamond creates problems, and cannot be considered a virtual game force as it often is in response to a major. The difference is that a forcing response of one no-trump is not available to those who favor it, after a one-diamond opening.

The rebid to two no-trump was non-forcing, but North had enough to continue to game. West led the heart eight, choosing the unbid suit, and South had a tricky planning problem. Entries to the closed hand were due to be crucial, and with that in mind she

made a good play by putting up the heart jack. She was willing to run the slight risk that West had led from Q-9-8 or K-9-8. As expected, East played the queen, which was allowed to win.

East continued with a heart and the ten was finessed successfully. South led a club to the queen, and when this held, she tested diamonds by cashing the ace and king. This precaution proved its worth when East discarded a club, and the nine was unblocked from the closed hand.

South reverted to clubs, and West was helpless when he won with the ace. He would have done best to lead a diamond, locking South in the dummy, but that would not have defeated the contract. He

chose a third heart and South emerged with a useful overtrick by taking her winners and ending with the marked finesse in diamonds.

NORTH (D)
♠ A 8 5
♥ J 7 3
♦ A K Q 8 5
♣ Q 8

EAST
♠ A 10 3
♥ K 6 2
♦ 10 7 3 2
♣ A 8 4

SOUTH
♠ Q 7 4
♥ A 10 9
♦ K 9 8
♣ A 10 6

Number side was vulnerable. The bidding:
1♣ — Pass — 2♣ — Pass — 2♦ — Pass — 3♥ — Pass — 3NT — Pass — 4♥ — Pass — 4♠ — Pass

West led the heart eight.

Handwritten signature or note at the bottom of the page.

SPORTS

Arizona State in Rose Bowl for First Time

49-0 Threshing of California Follows UCLA Upset; LSU Stuns Alabama, 14-10

The Associated Press TEMPE, Arizona — Flanker Bruce Hill scored three times Saturday night and quarterback Jeff...

U.S. COLLEGE ROUNDUP

Van Raaphorst passed for three touchdowns as fifth-ranked Arizona State crushed California, 49-0, and became the first U.S. college football team to clinch a postseason bowl berth.

The Sun Devil victory, coupled with Stanford's 28-23 upset of No. 12 UCLA earlier Saturday, gave Arizona State, 8-0-1, the Pacific-10 Conference title and a spot in the Rose Bowl on New Year's Day.

"I'm going to send [Stanford Coach] Jack Elway a bunch of roses the first thing Monday morning," said his ASU counterpart, John Cooper.

It will be the first time an Arizona school has played in the Rose Bowl since Arizona State and the University of Arizona joined the Pac-10 in 1978.

In another night game, No. 18 Louisiana State threw the Southeastern Conference race into a four-team scramble by upsetting fifth-ranked Alabama.

Hill returned the second-half kickoff 95 yards for a touchdown and caught scoring passes of 8 and 62 yards from Van Raaphorst, while Jeff Gallimore caught a five-yard touchdown pass.

California had six turnovers, two of which the Sun Devils turned into touchdowns; another kept the Golden Bears from scoring.

Louisiana State 14, Alabama 10: In Birmingham, Alabama, safety Greg Jackson picked off a pass, recovered one fumble and led...

Miami 38, Pittsburgh 10: In Pittsburgh, Vinny Testaverde completed 17 of 26 passes for 291 yards and four touchdowns as the No. 1-ranked Hurricanes, 9-0, won their 19th straight regular-season game.

Minutes of the game. They had reached the New Orleans 21-yard line on a drive from their 20, when Dils left a pass for Ron Brown and Wayner stepped in front of it.

Tomczak, starting in place of the injured Jim McMahon, scored on a one-yard sneak and threw a 37-yard touchdown pass to Willie Gault, both in the first quarter.

Payton, making his 162nd consecutive start only six days after dislocating the big toe on his right foot, set up the Bears' first touchdown with a 57-yard screen pass.

Tomczak, relieved by former U.S. Football League star Doug Flutie late in the last quarter, was 11-of-24 for 265 yards. Flutie made his NFL debut after Tomczak completed a 50-yard pass to Gault that gave the Bears a first down at the Tampa Bay 17.

The drive stalled at the five when Flutie's only pass fell incomplete on third down, and Kevin Butler kicked the third field goal.

Saints 6, Rams 0: In New Orleans, Morten Andersen kicked a 20-yard field goal in the third quarter and a 22-yarder in the fourth before cornerback Dave Wayner picked off Steve Dill's pass with 2:52 left in New Orleans' defeat of Los Angeles.

It was the Saints' first shutout in 10 years, the Rams' first in two years.

The Rams, who had been held without a first down in the second half, appeared to be driving for a winning touchdown in the final five minutes of the game.

St. Louis 27, Redskins 16: In Green Bay, Wisconsin, Jay Schroeder passed for 167 yards and two touchdowns for Washington.

Chiefs 27, Seahawks 7: In Kansas City, Missouri, Bill Kenney, after a nightmarish first quarter, threw three touchdown passes as Kansas City beat Seattle for its best 10-game record, 7-3, in 15 years.

Kenney threw two interceptions in his first four passes and the Chiefs lost a fumble on Seattle's first punt. But the Seahawks managed only 14 yards and missed on a field goal with the turnovers.

Bills 16, Steelers 12: In Orchard Park, New York, Robb Riddick rushed for 108 yards and a touchdown as Buffalo beat Pittsburgh and gave Marv Levy a victory in his debut as the team's coach.

Patriots 30, Colts 21: In Indianapolis, Tony Eason passed for 240 yards and two third-quarter touchdowns as New England rallied from an 11-point deficit early in the game and kept the frustrated Colts the only winless team in the NFL.

Vikings 24, Lions 10: In Pontiac, Michigan, Tommy Kramer, the National Conference's top-rated quarterback, threw for 284 yards and a touchdown and Minnesota turned three Detroit turnovers into scores.

Oilers 32, Bengals 28: In Houston, Warren Moon completing 25 of 44 passes for 310 yards and the Oilers held off Cincinnati's second half rally to end an eight-game losing streak.

Bengal quarterback Boomer Esiason, benched at the start of the third quarter, came back late in the period and rallied his team from a 29-7 deficit with three touchdown passes. But Moon and Drew Hill ended the comeback with a 45-yard pass to the Cincinnati 28 with 2:27 left.



Penn State running back D.J. Dozier, who had two touchdowns on Saturday, picking up yardage against Maryland.



Penn State running back D.J. Dozier, who had two touchdowns on Saturday, picking up yardage against Maryland.

Tomczak Gets 2 Touchdowns, Payton 139 Yards as Bears Beat Bucs, 23-3

The Associated Press TAMPA, Florida — Quarterback Mike Tomczak ran for one touchdown and passed for another Sunday and Walter Payton, playing with a dislocated toe, rushed for 139 yards as the Chicago Bears beat the Tampa Bay Buccaneers, 23-3, in the National Football League.

Tomczak, starting in place of the injured Jim McMahon, scored on a one-yard sneak and threw a 37-yard touchdown pass to Willie Gault, both in the first quarter.

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New Zealand, top, and Canada II circled tightly prior to the start of their challengers' race Sunday, which New Zealand won.

America II Outsails USA; KZ7 Retains Tie

By Ruth Youngblood United Press International

FREMANTLE, Australia — America II evaded a blockade of angry lobstermen Sunday and then routed USA by 1 minute 18 seconds in heavily gusting winds that...

AMERICA'S CUP

caused two Australian crewmen to be swept overboard in the America's Cup trials.

With all 18 challenging and defending yachts racing in the 26- to 30-knot gusts, the New York Yacht Club's America II, skippered by John Kofus, held back a rally by San Francisco's double-ruddered 12-meter, sailed by Tom Blackaller, and retained its first-place tie with New Zealand's KZ7, which routed Canada II by 3:10.

Both yachts are 18-1 in the trials to determine the challenger, setting the stage for Monday's race between Kofus and the New Zealand boat's Chris Dickson.

"It should be fun," said Kofus, of Darien, Connecticut.

"We'll do our standard check to make sure our maintenance is in order. It won't be anything different than we do for any other race."

But Kofus, who has won 15 straight races, is still smarting from his only loss, to Dickson in the first series.

In other Sunday races, Dennis Conner's Stars & Stripes kept third place with a 2:34 cobbering of French Kiss, while Italia whipped Eagle, from Newport Beach, California, by 1:20.

Chicago's Heart of America ended an eight-race losing streak with a 1-41 triumph over Italy's Azarna and Great Britain's White Crusader devastated Challenge France by 11:53.

New Zealand and America II top the standings with 46 points, 10 ahead of Stars and Stripes. In fourth, White Crusader and USA are tied with 28.

"We haven't quite figured out how to make the boat go fast upwind in that kind of condition," said the revolutionary USA's tactician, Paul Cayard.

In the second round of the defending yachts' competition, the golden-hulled Kookaburras won again to retain first and third place.

Kookaburra II defeated world champion Australia III by 2:07 while Kookaburra III came from behind a much-improved Steak's Kidney for a four-minute victory.

Steak's Kidney, the Sydney boat that did not win a race in the first series, led Kookaburra III for three legs until a broken jib tack and halyard allowed Iain Murray's boat to take the lead.

With the heavy winds whipping up steep swells, race officials shortened the eight-legged course to six legs to prevent more havoc after two crewmen of South Australia were swept overboard while trying to retrieve a headsail dragging in the angry seas.

Both Andy Dyer and Peter Wall-Smith were picked up by the chase boat and were not injured.

In addition to Steak's Kidney's problems, Canada II blew a genoa, New Zealand lost a jib and French Kiss had gear failure.

South Australia, which was trailing badly when it lost its two crewmen, withdrew and left Australia IV to easily hold on to second place.

Kookaburra III leads the defenders' series with 11 points. Australia IV is second with 10, followed by Kookaburra II with nine.

The lobstermen, protesting the government's reduced catch quotas, formed a blockade early Sunday to stop the yachts from reaching the courses, but failed even to delay the races.

About 50 fishing vessels sailed back and forth across the narrow passage from Fremantle Harbor. The tender pulling America II, horns sounding, maneuvered through the obstructing boats while the onshore crowd cheered and the other competitors followed.

Kofus held a 57-second margin rounding the first windward mark, but Blackaller chopped away 31 seconds before America II was able to take advantage of the rapidly building winds for a 1:21 lead on the reach.

By the second leeward buoy, Blackaller had closed again, to 39 seconds, but he could not stop Kofus from almost tripling the margin on the way home.

Hill returned the second-half kickoff 95 yards for a touchdown and caught scoring passes of 8 and 62 yards from Van Raaphorst, while Jeff Gallimore caught a five-yard touchdown pass.

California had six turnovers, two of which the Sun Devils turned into touchdowns; another kept the Golden Bears from scoring.

Louisiana State 14, Alabama 10: In Birmingham, Alabama, safety Greg Jackson picked off a pass, recovered one fumble and led...

Miami 38, Pittsburgh 10: In Pittsburgh, Vinny Testaverde completed 17 of 26 passes for 291 yards and four touchdowns as the No. 1-ranked Hurricanes, 9-0, won their 19th straight regular-season game.

Minutes of the game. They had reached the New Orleans 21-yard line on a drive from their 20, when Dils left a pass for Ron Brown and Wayner stepped in front of it.

Tomczak, starting in place of the injured Jim McMahon, scored on a one-yard sneak and threw a 37-yard touchdown pass to Willie Gault, both in the first quarter.

Payton, making his 162nd consecutive start only six days after dislocating the big toe on his right foot, set up the Bears' first touchdown with a 57-yard screen pass.

Tomczak, relieved by former U.S. Football League star Doug Flutie late in the last quarter, was 11-of-24 for 265 yards. Flutie made his NFL debut after Tomczak completed a 50-yard pass to Gault that gave the Bears a first down at the Tampa Bay 17.

The drive stalled at the five when Flutie's only pass fell incomplete on third down, and Kevin Butler kicked the third field goal.

Saints 6, Rams 0: In New Orleans, Morten Andersen kicked a 20-yard field goal in the third quarter and a 22-yarder in the fourth before cornerback Dave Wayner picked off Steve Dill's pass with 2:52 left in New Orleans' defeat of Los Angeles.

It was the Saints' first shutout in 10 years, the Rams' first in two years.

The Rams, who had been held without a first down in the second half, appeared to be driving for a winning touchdown in the final five minutes of the game.

St. Louis 27, Redskins 16: In Green Bay, Wisconsin, Jay Schroeder passed for 167 yards and two touchdowns for Washington.

Chiefs 27, Seahawks 7: In Kansas City, Missouri, Bill Kenney, after a nightmarish first quarter, threw three touchdown passes as Kansas City beat Seattle for its best 10-game record, 7-3, in 15 years.

Kenney threw two interceptions in his first four passes and the Chiefs lost a fumble on Seattle's first punt. But the Seahawks managed only 14 yards and missed on a field goal with the turnovers.

Bills 16, Steelers 12: In Orchard Park, New York, Robb Riddick rushed for 108 yards and a touchdown as Buffalo beat Pittsburgh and gave Marv Levy a victory in his debut as the team's coach.

Patriots 30, Colts 21: In Indianapolis, Tony Eason passed for 240 yards and two third-quarter touchdowns as New England rallied from an 11-point deficit early in the game and kept the frustrated Colts the only winless team in the NFL.

Vikings 24, Lions 10: In Pontiac, Michigan, Tommy Kramer, the National Conference's top-rated quarterback, threw for 284 yards and a touchdown and Minnesota turned three Detroit turnovers into scores.

Oilers 32, Bengals 28: In Houston, Warren Moon completing 25 of 44 passes for 310 yards and the Oilers held off Cincinnati's second half rally to end an eight-game losing streak.

Bengal quarterback Boomer Esiason, benched at the start of the third quarter, came back late in the period and rallied his team from a 29-7 deficit with three touchdown passes. But Moon and Drew Hill ended the comeback with a 45-yard pass to the Cincinnati 28 with 2:27 left.

SCOREBOARD

Football

U.S. College Scores

Table with columns for EAST, MIDDLE WEST, SOUTH, and WEST. Lists college names and scores.

NBA Standings

Table with columns for Eastern Conference and Western Conference. Lists team names and win/loss records.

Hockey

National Hockey League Standings

Table with columns for Wales Conference and Campbell Conference. Lists team names and win/loss records.

CFL Standings

Table with columns for Eastern Division and Western Division. Lists team names and win/loss records.

Basketball

Table with columns for Eastern Division and Western Division. Lists team names and win/loss records.

European Soccer

Table with columns for West German First Division and Bundesliga. Lists team names and win/loss records.

America's Cup

Table with columns for America II vs. New Zealand and other matches. Lists team names and scores.

Tennis

Table with columns for Men's Tournaments and Wimbledon. Lists player names and match results.

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